

**CITY OF NEWTON, NORTH CAROLINA**  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

PREPARED BY  
CITY OF NEWTON FINANCE DEPARTMENT



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## CITY OF NEWTON, NORTH CAROLINA

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# City of Newton

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## Letter of Transmittal

The Honorable Mayor, Members of the  
Board of Aldermen and the Citizens of the  
City of Newton, North Carolina

September 10, 2001

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Newton for the fiscal year ended June 30, 2001. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Lowdermilk Church & Co., L.L.P., and their unqualified opinion is included in the financial section of this report. However, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the information in this report is accurate in all material respects and presents fairly the financial position and results of operation of the City's various funds and account groups. We have included all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs.

This report is divided into four sections: the Introductory, Financial, Statistical and Compliance sections.

- # The Introductory Section contains this letter of transmittal and information about the organization and principal officers of the City of Newton.
- # The Financial Section is composed of the independent auditors' report, the City's combined financial statements, the "Notes to the General Purpose Financial Statements," and combining statements with detailed individual fund statements. The auditors' report, combining statements, and the notes are often issued separately for securities offerings or widespread distributions and are frequently referred to as "liftable" general purpose financial statements (GPFS).
- # The Statistical Section (unaudited) contains fiscal and economic data designed to provide a more thorough understanding of the City and its financial operations. Many tables in this section present financial data for the past ten years.
- # The last section, the Compliance Section, presents information required by the Single Audit Act, which will be discussed in a later paragraph.

This report covers all funds and account groups that are controlled by, or are dependent upon the City of Newton. The City provides a full range of services for its citizens, including planning and zoning, solid waste collection, street maintenance, parks and recreation activities, and police and fire protection. In addition to these general government activities, the City provides and maintains water, sewer and electrical utilities for the benefit of its citizens. These utilities are included in the reporting entity.

The City also extends financial support to certain boards, agencies, and commissions to assist in their efforts in serving citizens. Among these are the Catawba County Arts Council, Catawba County Library, and the Piedmont Wagon, a transportation system serving the cities of Hickory, Conover, and Newton. Because City allocations do not constitute a major portion of their revenue, and because the City has no authority to designate their management, none of these organizations have been included in this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of Federal and State financial assistance, findings and recommendations, and auditors' report on the internal control structure and compliance with applicable laws and regulations, are included in the Compliance Section of this report.

## **DESCRIPTION OF THE CITY**

The City of Newton, founded in 1843 and incorporated in 1855, is located in Catawba County in the western part of the Piedmont area of North Carolina, 39 miles northwest of Charlotte and 10 miles southeast of Hickory. The City covers approximately twelve square miles and has a population of 12,560. Newton serves as the county seat of Catawba County. The City has a council/manager form of government. The six members of the Board of Aldermen are elected on a nonpartisan basis to serve staggered four-year terms, while the Mayor serves a two-year term.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The City of Newton continues to benefit from its proximity to the Charlotte and Hickory metropolitan areas. The economy of the area has remained stable for many years due to the vast array of manufacturing and service oriented employers. This diversity and quantity of large and small employers had until the latter part of the year 2000, provided the area typically with one of the lowest unemployment rates in the State.

As a result of the recent downturn in the economy, several industries have discontinued operations in Newton. Among those are Ridgeview Mills, Pillowtex, and Broyhill. In some ways the low unemployment rate was a sign of a very strong economy, but conversely, it also made it very difficult to recruit new employers for the area. Now with the higher unemployment rate, the County and City's efforts at business recruitment should become easier, that ,when added to the competitive advantages of the area, indicate a bright future for a continually diversified employment base. Some examples of this are the construction of a new 280,000 square foot plant to manufacture satellite dishes for Prodelin Corporation, a division of Tri-Point Global, a multi-national corporation. In addition, a local entrepreneur has also begun operations of a peletizing manufacturing plant, and the City is working aggressively with a local developer to ensure the retention and expansion of a food manufacturer. The City is currently on a short list with German and Japanese companies looking to locate manufacturing facilities in the United States.

The City has a significant advantage in the future for industry recruitment and retention, specifically for a 500 to 1,000 acre business and industrial park located off NC Hwy 10 West at the US Hwy 321 Freeway Intersection. The City currently provides water and electricity to the area and by the end of December 2001, a sewer line project should be completed, making all utilities available for industrial development.

Historically, Catawba County's unemployment rate is lower than the State and National rate. Employment in the County is primarily in the textile and furniture industry. Additionally, the mild southern climate and natural beauty of the area continue to draw new residents and business investment to all of the Piedmont, Foothills and Mountain areas of North Carolina. Newton, artistically described as being nestled in the midst of perfect climate, natural beauty, foothills and mountains, should mark a revival of interest for new industries to locate to this area. Further, the Catawba County Economic Development Corporation and the City's Economic Development efforts have been very aggressive in the recruitment of national and international business investment and assisting existing industries with expansion and retention efforts.

INC Magazine has twice named the Hickory, North Carolina Metropolitan statistical areas one of the top entrepreneur areas in America in both traditional industries and high tech, which makes relocating to the area a wise choice. Nation's Business magazine identified the Hickory-Metro as the "7<sup>th</sup> Best Entrepreneur Hot Spot". Industry Week rated the Hickory-Metro as the "8<sup>th</sup> Ranked World Class Community", due to outstanding cooperation between industry, government, and educational institutions. It focused on the strong public/private partnerships that ensure that the business climate is appealing. Reader's Digest named the Hickory-Metro as the 10<sup>th</sup> best place to raise a family and was second only to Sheboygan, Wisconsin for its affordable cost of living. Making the "best list" in one of these highly respected national publications is a major accomplishment. Making the "best list" in all three is a unique honor that no other US Metro can claim. Reports in other publications in the past including Government Finance Review, Site Selection Magazine, and Outlook Americas Magazine have recognized North Carolina's prominence over the years as one of the top ranked industrial expansion sites in the United States, citing more new plants and expansions than any other State for several years. Newton is mentioned among the top five cities for new plants and expansions.

The growth for Catawba County and the City of Newton has been strong and is expected to continue with local companies expanding as well as new industry locating in the area. During the fiscal year, the City issued zoning permits totaling \$14,129,179 for residential, commercial and industrial construction for the City and its planning jurisdiction. This growth trend is expected to escalate as we proceed in the 21st century.

## **MAJOR INITIATIVES**

In 1990, the City entered into a contract with Catawba County to participate in a county wide GIS system. The effort was aimed at eliminating need for municipalities to maintain separate land records and creating a greatly enhanced access and scope of land records with the formation of a centralized highly computerized geographic information system. This system has been installed and is now operational. Short and long range planning are now taking place as well as many other enhancements that are providing a higher level of service, allocation of resources and potential cost savings.

Also in 1990, the City was designated a participant in the National Mainstreet Program. Since that time, the City has conducted many activities, programs, and promotions for the purposes of recruitment, retention, and expansion of downtown businesses. The programs have included private and public funded personal improvement programs, a low interest loan pool, and as a result, has seen building face lifts, renovations, new businesses, renovations of parking lots, improved lighting, enhanced accessibility for disabled persons, bus shelters, landscaping, and appearance sensitive signage that have made the downtown area extremely attractive, not only for shopping and services, but also for business recruitment. The Mainstreet Program is now run through a 501(c) Non-Profit Organization called the Downtown Newton Development Association. The City collects a .15 cent per \$100 evaluation tax on all properties within the boundaries of the municipal service district and rebates those taxes to the DNDA for the purposes mentioned herein.

In 1993, the Police Department acquired a single family residence on S. Ervin Avenue for the purpose of increasing their presence in the southeast section of the City. The City operates a community policing station from this location. This helps to increase public awareness and participation within the community. Additionally, in fiscal year 2000, the City received two North Carolina Governor's Crime Commission Grants. Through these grants the City acquired eight (8) mobile data terminals that have been installed in patrol vehicles. These terminals have enabled police officers to access the North Carolina Division of Criminal Information (DCI) records, the North Carolina Division of Motor Vehicles (DMV) records and the National Criminal Information Center (NCIC) records from their patrol vehicles. This has eliminated the officer's reliance on radio traffic to receive the same information and reduced the telecommunicator's workload, which has enabled them to focus more on emergency rather than routine radio and telephone traffic.

In 1998, the City also assigned its cable television franchise to Charter Communications. The franchise agreement provided for fiber optic cabling to be installed. This project has been completed and the City is now able to network with the county and other surrounding municipalities.

During fiscal year 2001, the City completed six (6) major capital improvements at a cost of \$3,278,483 to the City's water, sanitary sewer and electric systems including without limitation, constructing water and sewer mains and lines, extending electric distribution lines and acquiring electric peak shaving generators. These projects will improve public health by extending water and sewer to annexed areas of the City, increase public safety through enhanced fire protection through the provision of fire hydrants, increase electric customer base and positive positioning for electric deregulation. Further, all projects enhance the City's economic development growth opportunities. The City will serve water, sewer and/or electric utilities to approximately 261 new customers as a result of completion of these projects.

Early in 2001, the City began a construction project to complete a sewer line to the NC Hwy 10/US Hwy 321 Freeway Intersection. The sewer project will make a 500 to 1,000 acre area assessable to sewer and attractive for development of industrial, commercial, office and residential development in the coming years. The City has recently completed a Community Development Block Grant Project that has brought water and sewer to over 43 dwelling units to an area of the City, which was previously served with wells and septic tanks. During the year of 2000, the City completed an infrastructure grant that will provide water and sewer services to a new industry, Prodelin, which will create 60 new jobs in the area and will bring over 120 new jobs to the City of Newton.

The City of Newton is a member of a regional transportation planning group called the Hickory - Newton - Conover Metropolitan Planning Organization (MPO) and has recently achieved several top priority thoroughfares to be included in the statewide TIP project priority list. Among those are the construction of U.S. Highway 321 Freeway and the Eastern portion of the Newton Conover loop. Through participation in this organization and its lobbying efforts, the City will realize many new roads being constructed and opportunities being provided by these thoroughfares.

North Carolina is working to join twenty-five (25) other states that have moved forward with plans to deregulate the electric industry, but exactly how it will impact "electric cities" like Newton remains uncertain. In 1997, the General Assembly appointed a Study Commission on the Future of Electric Service in North Carolina. The Study Commission submitted its report to the 2000 General Assembly on May 16, 2000. That report recommended, in addition to other issues, retail choice for all customers by January 1, 2006. In January 2001, the Study Commission decided not to present legislation to the General Assembly in 2001. The Study Commission is continuing to study the issue of electric deregulation. The City cannot predict the results of the study or the recommendations made by the Study Commission, or whether the recommendations to the General Assembly will be enacted into law.

Ongoing efforts to place the City in a competitive position in a deregulated environment include, but are not limited to, utilization of a Distribution System Benefits Model, and installation of peak shaving generators. The Distribution System Benefits Model is a derivative of a tool designed by R.W. Beck, Inc. for use by municipal electric distribution systems in evaluating financial and other impacts of retaining or selling their electric distribution systems in response to the plan to restructure the electric industry and resolve stranded cost issues. The objective of industry restructuring is to create competition among suppliers of electricity as a means of controlling price levels and assuring that service levels meet consumer expectations. To prepare for this the City has installed peak shaving generators at five of its largest industrial customers. These generators will help the City in its retention efforts and allow the City to offer more competitive pricing.

Other initiatives which are ongoing are a recycling program, extension of water and sewer lines, both on its own and as well as in conjunction with Catawba County to secure new ideas for development and to provide service to existing development, location of industries in the Danner Industrial Park located off St. James Church Road and Highway 16 South, installation of load management switches on homes and businesses, installation of security lighting throughout the City on private property to deter crime and to increase base load consumption of electricity provision of economic development and load management rate riders to expanding and new industry, and funding for the Piedmont Wagon which furnishes public transportation to citizens of Newton and other areas of Catawba County.

## **FINANCIAL INFORMATION**

### ***Basis of Accounting***

The City's accounting records for governmental funds are maintained on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on general long-term debt. Proprietary revenues and expenses are recognized on the accrual basis whereby revenues are recognized in the accounting period in which they are earned and become measurable and, expenses are recognized in the period they are incurred, if measurable.

### ***Fund Accounting***

Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or alliances, and changes therein, which are segregated for the purpose of carrying on specific activities or obtaining certain objectives in accordance with special regulations, restrictions or limitations. Thus, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of other funds and account groups.

### ***Fund and Account Groups Categories***

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities, except those accounted for in the proprietary funds, are accounted for through governmental funds. The governmental fund measurement focus is based upon determination of financial position and changes in financial position (sources, usages and balances of financial resources), rather than upon net income determination. The statement of revenues, expenditures and changes in fund balances is the primary governmental fund operating statement. It may be supported or supplemented by more detailed schedules of revenues, expenditures, transfers and other changes in fund balances.

Proprietary funds are used to account for a government's ongoing organizations and activities which are similar to those found in the private sector. All assets, liabilities, equity, revenues, expenses and transfers relating to the City's business and quasi-business activities (where net income and capital maintenance are measured) are accounted for through proprietary funds. The generally accepted accounting principles here are those applicable to similar businesses in the private sector; and the measurement focus is upon determination of net income, financial position and cash flows.

Fiduciary funds are used to account for assets held by governmental units in a trustee's capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

In addition to these three fund types is a fourth category of accounting entity, the account groups. Account groups are used to establish accounting control and accountability for the City's general fixed assets and the unmatured principal of the general long-term debt. These two account groups do not, however, account for any fixed assets or unmatured principal of any long-term debt for any proprietary fund.

### ***Internal Controls***

In developing and evaluating the City's accounting system, consideration has been given to the adequacy of the internal accounting functions. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

### ***Single Audit***

As a recipient of federal and State financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to expenditures of federal and State financial awards, as well as to determine that the City has complied with applicable laws and regulations.

### ***Budgetary Controls***

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund and all proprietary funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund and the Special Revenue Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbranced amounts lapse at year end. However, encumbrances are generally reappropriated as part of the following year's budget.

## ***Financial Management***

Newton's financial management program continued to provide citizens of the City with a threefold approach to enhance its excellent financial position:

- (1) Investing all available funds not needed each day in order to maximize earnings.
- (2) Allocating City resources only to program areas that meet community needs.
- (3) Closely monitoring these programs to ensure they are carried out within authorized levels.

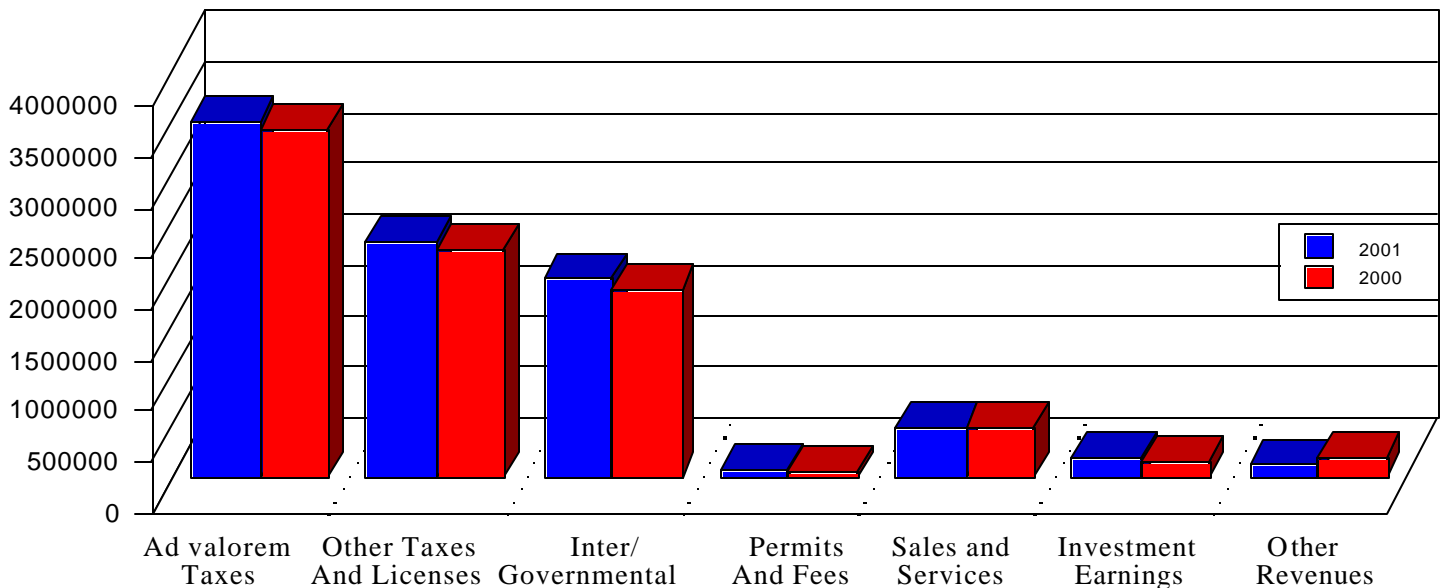
This financial management program allowed the City to achieve its goal of expanded and improved services to the citizens of the City. Additionally, the City maintained its bond rating of "A2" by Moodys Investment Service, Inc. and AA@ by Standard & Poors Corp. The rating is a reflection of the City's continued sound financial condition.

### ***Revenues - General Fund***

General fund revenues increased during fiscal year 2001 from fiscal year 2000 by \$238,613 (2.82%), as follows:

	<b>2001 Percent of Total</b>	<b>Fiscal Year Ended 2001</b>	<b>June 30. 2000</b>	<b>Increase (Decrease)</b>
Ad valorem taxes	40.35	\$3,511,413	\$3,437,581	\$ 73,832
Other taxes and licenses	26.55	2,310,695	2,235,101	75,594
Intergovernmental	22.41	1,950,598	1,859,491	91,107
Permits and fees	0.92	80,322	66,915	13,407
Sales and services	5.72	498,049	480,068	17,981
Investment earnings	2.39	207,878	167,770	40,108
Other revenues	1.65	143,501	216,917	(73,416)
<b>Total</b>	<b><u>100.00</u></b>	<b><u>\$8,702,456</u></b>	<b><u>\$8,463,843</u></b>	<b><u>\$ 238,613</u></b>

(Derived from Exhibit 3)



Ad valorem taxes (40.35%) and intergovernmental revenues (22.41%) continue to be major revenue sources comprising 62.76% of total revenues for the City.

The property tax rate remained at \$.47 per \$100 assessed valuation. Overall, property tax revenues increased \$73,832 (2.15%).

	<b>2001 Percent of Total</b>	<b>Fiscal Year Ended June 30,</b>		<b>Increase (Decrease)</b>
		<b><u>2001</u></b>	<b><u>2000</u></b>	
Real property	70.46	\$540,042,867	\$524,605,828	\$15,437,039
Personal property	27.47	210,526,662	197,332,486	13,194,176
State certifications	2.52	19,299,454	19,375,934	(76,480)
Less elderly exemptions	<u>(0.45)</u>	<u>(3,429,630)</u>	<u>(3,210,204)</u>	<u>(219,426)</u>
Total assessed valuation	<u>100.00</u>	<u>\$766,439,354</u>	<u>\$738,104,045</u>	<u>\$28,335,309</u>

City collections again reflect the trend of a high percentage of current tax collected as shown in the schedule below. Since the City has contracted with Catawba County to handle its tax billings and collections, this trend has continued. The difference in percentages between the two columns represents the collection of past due taxes. This collection effort continues for a ten-year period after which any uncollected amount is written off. This year \$16,741 was written off.

<b><u>Fiscal Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Percent Collected in Year of Levy</u></b>	<b><u>Percent of Total to Tax Levy</u></b>
2001	\$3,568,203	96.11	98.59
2000	\$3,446,185	97.20	99.35

Total intergovernmental revenues (federal and State) increased \$91,107 (4.90%) from last year's total.

Other taxes and licenses comprises 26.55% of the City's governmental revenues. This year, sales tax revenue increased \$55,215 (2.75%) over last year. This increase is primarily attributable to the increase in retail sales activity due to the economic conditions and the change in the North Carolina statute requiring all sales tax revenue be shown in the general fund.

Sales and services increased \$17,981 (3.75%) due to an increase in various collection fees.

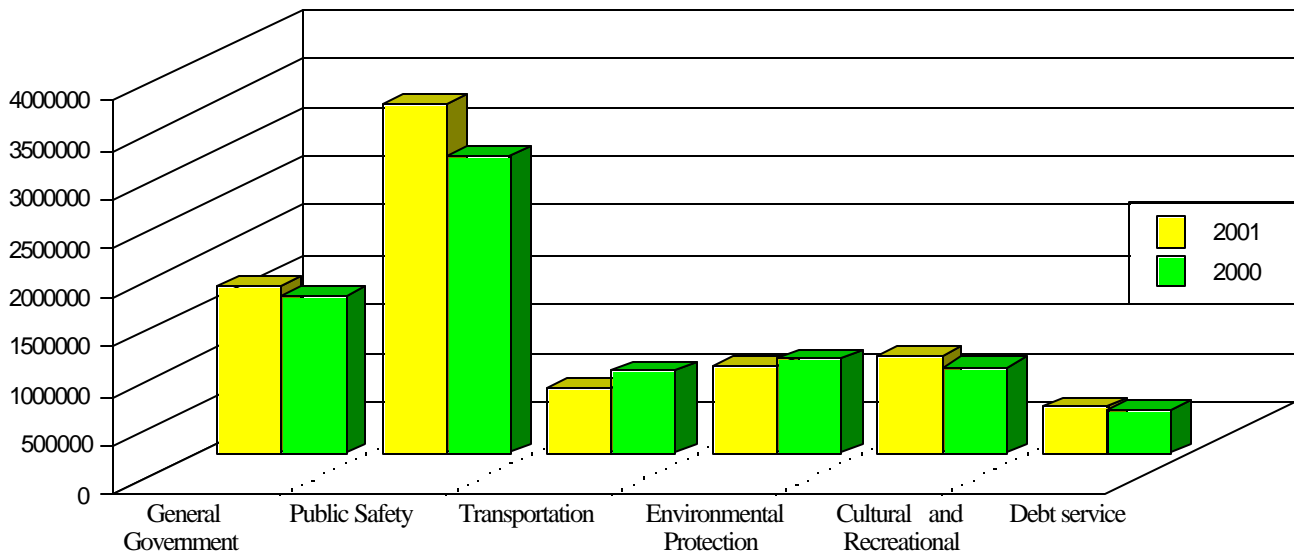


### *Expenditures - General Fund*

General fund expenditures increased \$521,688 (6.75%) from those of last year. Total expenditures were \$8,252,982 or \$824,669 less than budgeted. A brief analysis of major changes together with explanatory factors follows:

<b>Function</b>	<b>2001 Percent of Total</b>	<b>Fiscal Year Ended June 30.</b>		<b>Increase (Decrease)</b>
		<b>2001</b>	<b>2000</b>	
General government	20.44	\$1,687,240	\$1,603,108	\$ 84,132
Public safety	43.16	3,562,055	3,015,908	546,147
Transportation	8.00	660,139	843,089	(182,950)
Environmental protection	10.86	896,416	958,177	(61,761)
Cultural and recreational	11.91	983,259	873,938	109,321
Debt service	5.62	463,872	437,072	26,800
Total	100.00	\$8,252,982	\$7,731,292	\$521,688

(Derived from Exhibit 3).



General government expenditures increased \$84,132 (5.25%) due to an increase in salaries and benefits and operating expenditures.

Public safety expenditures increased \$546,147 (8.11%) from last year. This increase is attributable to an increase in salaries and benefits.

The \$109,321 (12.51%) increase in cultural and recreational expenditures is primarily due to an increase in salaries and benefits.

The \$26,800 (6.13%) decrease in debt service is primarily attributable to additional debt principal requirements.

### ***Fund Balance - General Fund***

The fund balance of the General Fund at June 30, 2001, of \$3,573,507 is \$485,259 more than the June 30, 2000 balance. The increase in fund balance is a result of the excess of revenues and other financing sources, over expenditures and other financing uses. The classification of fund balance at June 30, 2001 and 2000 is shown below:

	<b>Fiscal Year Ended June 30,</b>		<b>Increase (Decrease)</b>
	<b><u>2001</u></b>	<b><u>2000</u></b>	
Reserved by State statute	\$ 197,570	\$ 348,318	\$(150,748)
Reserved for inventories	37,437	35,048	2,389
Reserved for encumbrances	283,050	240,085	42,965
Reserved for streets - Powell Bill	429,764	339,997	89,767
Unreserved (available for appropriation):			
Reserved for open space fees	8,375	-	8,375
Undesignated	<u>2,617,311</u>	<u>2,124,800</u>	<u>492,511</u>
Total fund balance	<u><u>\$3,573,507</u></u>	<u><u>\$3,088,248</u></u>	<u><u>\$485,259</u></u>

(Derived from Exhibit B-1).

### ***Capital Projects Fund***

Currently, the City has three ongoing capital projects, those being the Downtown Facade Improvements, US 321 Business Sidewalk, and West 1<sup>st</sup>. Street. The following schedule presents a comparative summary of revenues, expenditures and changes in fund balances.

	<b>Fiscal Year Ended June 30,</b>			
	<b><u>2001</u></b>		<b><u>2000</u></b>	
	<b><u>Amount</u></b>	<b><u>Percent of Total</u></b>	<b><u>Amount</u></b>	<b><u>Percent of Total</u></b>
<b>Capital Projects Revenues</b>	<u>\$ -</u>	<u>100.00</u>	<u>\$ -</u>	<u>100.00</u>
<b>Expenditures:</b>				
Downtown Facade Improvement Capital Project Fund	\$ 5,505	96.49	\$ -	-
US 321 Business Sidewalk Capital Project	-	-	-	-
West 1 <sup>st</sup> Street	<u>200</u>	<u>3.51</u>	<u>124,800</u>	<u>100.00</u>
Total expenditures	<u>5,705</u>	<u>100.00</u>	<u>124,800</u>	<u>100.00</u>
Revenues over (under) expenditures	(5,705)		(124,800)	
Other financing sources	<u>19,208</u>		<u>2,218</u>	
Revenues and other financing sources over expenditures and other financing uses	13,503		(122,582)	
Fund balance (deficit), beginning of year	<u>9,945</u>		<u>132,527</u>	
Fund balance (deficit), end of year	<u><u>\$23,448</u></u>		<u><u>\$ 9,945</u></u>	

(Derived from Exhibit D-2).

### *Revenues - Enterprise Funds*

Enterprise funds revenues increased \$213,399 (1.66%) from the previous fiscal year. As in previous years, the largest revenue source of the City is the Electric Fund (\$8,236,516 or 63.12% of enterprise funds revenues). The following schedule shows the revenues generated by each fund as compared to the prior fiscal year.

Source	2001 Percent of Total	Fiscal Year Ended June 30,		Increase (Decrease)
		2001	2000	
Water and Wastewater:				
Charges for services	28.35	\$ 3,699,583	\$ 3,621,708	\$ 77,875
Other revenues	3.92	511,347	615,897	(104,550)
Transfers	<u>4.62</u>	<u>602,400</u>	<u>614,314</u>	<u>(11,914)</u>
	<u>36.88</u>	<u>4,813,330</u>	<u>4,851,919</u>	<u>(38,589)</u>
Electric:				
Charges for services	57.63	7,521,142	7,287,228	233,914
Other revenues	<u>5.48</u>	<u>715,374</u>	<u>697,300</u>	<u>18,074</u>
	<u>63.12</u>	<u>8,236,516</u>	<u>7,984,528</u>	<u>251,988</u>
Total	<u>100.00</u>	<u>\$13,049,846</u>	<u>\$12,836,447</u>	<u>\$213,399</u>

(Derived from Exhibit E-2).

Water and wastewater charges and electric charges remained stable in 2001 as compared to those in 2000 and therefore the increases or decreases in charges for services is attributable to changes in volume.

The fluctuations in other revenues in the Electric, Water and Wastewater Funds are primarily due to increases or decreases in sales tax refunds and investment earnings.

### *Expenses - Enterprise Funds*

The following schedule shows expenses incurred by each fund as compared to the prior fiscal year.

Function	2001 Percent of Total	Fiscal Year Ended June 30,		Increase (Decrease)
		2001	2000	
Water and Wastewater:				
Operating expenses	25.86	\$ 3,336,881	\$ 3,153,712	\$183,169
Depreciation	9.96	1,285,287	870,201	415,086
Interest expense	3.14	405,008	513,447	(108,439)
Transfers	<u>0.33</u>	<u>43,000</u>	<u>264,300</u>	<u>(221,300)</u>
	<u>39.29</u>	<u>5,070,176</u>	<u>4,801,660</u>	<u>268,516</u>
Electric:				
Operating expenses	56.77	7,325,999	7,740,060	(414,061)
Depreciation	2.95	380,294	264,864	115,430
Interest expense	<u>0.99</u>	<u>127,361</u>	<u>210,589</u>	<u>(83,228)</u>
	<u>60.71</u>	<u>7,833,654</u>	<u>8,215,513</u>	<u>(381,859)</u>
Total	<u>100.00</u>	<u>\$12,903,830</u>	<u>\$13,017,173</u>	<u>\$(113,343)</u>

(Derived from Exhibit E-2).

The total expenses for proprietary funds decreased \$113,343 (0.87%) over the previous year. The largest decrease was power for resale of \$663,047 in the Electric Fund.

### ***Fund Equity - Enterprise Funds***

The enterprise fund experienced a decrease in fund equity of \$74,820 (0.31%), which is due to net loss of \$74,820. The following schedule presents a comparative summary of the changes in the enterprise fund equity:

	<b>2001 Percent of Total</b>	<b>Fiscal Year Ended June 30,</b>		<b>Increase (Decrease)</b>
		<b><u>2001</u></b>	<b><u>2000</u></b>	
Fund Equity - Enterprise:				
Water and Wastewater	74.24	\$17,907,332	\$18,310,330	\$(402,998)
Electric	<u>25.76</u>	<u>6,213,712</u>	<u>5,885,534</u>	<u>328,178</u>
Total fund equity	<u>100.00</u>	<u>\$24,121,044</u>	<u>\$24,195,864</u>	<u>\$ (74,820)</u>

(Derived from Exhibit E-1).

### ***Debt Administration***

The City has general obligation bonds outstanding at June 30, 2001 totaling \$4,980,000 which were issued for improvements to the water and sewer systems of the City and for the construction of City recreation facilities.

The North Carolina General Statutes are very specific about the amount of general long-term debt that can be issued by local governments. The statutes state that long-term debt, net of debt issued for enterprise activities, cannot exceed eight percent of the assessed valuation of the governmental unit. The legal debt margin of the City as of June 30, 2001 is \$47,677,831.

### ***Cash Management***

The City has established an investment program whereby all available funds are invested daily. All revenue is received and deposited on the same day in one central bank account. Investment earnings this year were \$612,102, a decrease of \$64,491.

Income on investments is an important contributing factor in maintaining a stable tax rate. During the current year, total investment earnings were equal to approximately 7.98 cents of ad valorem tax rate.

### ***Risk Management***

The City utilizes commercial insurance carriers to provide coverage for the majority of its insurable risks. Along with this insurance coverage the City has instituted an ongoing safety program with each department establishing a safety manual relating specifically to that department. Each employee is trained on the safety requirements and specific protective requirements for the job. Safety meetings, with specific safety training, are held in every department monthly.

A summary of insurance coverage is presented below. Deductibles on all coverage are minor in relation to the coverage.

Property coverage:	
Buildings	\$34,588,579 blanket per statement of values at replacement cost/agreed value
General Liability:	
Per occurrence	\$1,000,000
With aggregate of	\$2,000,000
Umbrella Liability	\$2,000,000
Automobile Liability:	\$1,000,000
Physical damage	Replacement less \$100 deductible Comprehensive- \$500 deductible on collision
Workers compensation per occurrence	\$1,000,000
Inland Marine:	
Includes all equipment	\$1,171,430 per schedule
Bond/Crime:	
Public employee dishonesty, loss	\$75,000
Forgery and alteration, per loss	\$75,000
Blanket bonding per employee	\$10,000
Individual Position Bond, Finance Director	\$150,000
Law Enforcement Liability	\$2,000,000
Public Officials Liability	\$1,000,000

### **OTHER INFORMATION**

#### ***Independent Audit***

State statutes require an annual audit by independent certified public accountants. The accounting firm of Lowdermilk Church & Co., L.L.P. was selected by the City's Board of Aldermen. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of Government Auditing Standards, issued by the Comptroller General of the United States; and OMB, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. The independent auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The independent auditors' reports related specifically to the single audit are included in the Single Audit Section.

### *Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2000. This was the sixteenth consecutive year that the City of Newton has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### *Acknowledgments*

The preparation of this comprehensive financial report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We would like to express our appreciation to the entire Financial Department, whose long hours and hard work made possible the successful completion of the annual audit.

We also acknowledge the extensive assistance provided by the accounting firm of Lowdermilk Church & Co., L.L.P. and appreciate their assistance in preparing this report.

In closing, we would like to express our appreciation to the Mayor and Board of Aldermen for their leadership, interest, and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Edward F. Burchins  
City Manager

James A. Baker  
Finance Director

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**CITY OF NEWTON, NORTH CAROLINA**

**LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2001**

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**BOARD OF ALDERMEN**

WAYNE DELLINGER  
Mayor

ROY A. JOHNSON

JOSEPH M. ABERNETHY, JR.

MARY BESS LAWING  
Mayor Pro Tem

H. TOM ROWE

REVONDA M. SEITZ

TIMOTHY S. ELLIOTT

**CITY ADMINISTRATION**

EDWARD F. BURCHINS  
City Manager

DAVID A. DIAL  
Police Chief

KEVIN L. YODER  
Fire Chief

GLENN J. PATTISHALL  
Planning Director/Asst. City Manager

JAMES A. BAKER  
Finance Director

RITA K. WILLIAMS  
City Clerk

MARTIN D. WILSON  
Public Works/Utilities Director

TERESA B. LAFFON  
Personnel Director

SANDRA A. WATERS  
Parks and Recreation Director

LARRY PITTS  
City Attorney





## **FINANCIAL SECTION**

- 
- ! Independent Auditors' Report**
  - ! General Purpose Financial Statements**
  - ! Notes to the General Purpose Financial Statements**
  - ! Supplementary Required Financial Data**
  - ! Combining, Individual Fund and Account Group  
Statements and Schedules**
-



**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report**

To the Honorable Mayor and  
Members of the Board of Aldermen  
City of Newton, North Carolina

We have audited the accompanying general purpose financial statements of the City of Newton, North Carolina as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of City of Newton, North Carolina's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Newton, North Carolina as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2001 on our consideration of the City of Newton's, internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Newton, North Carolina, taken as a whole. The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information (except those schedules and tables presented in the statistical section as unaudited on which we express no opinion) has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

September 10, 2001



## **GENERAL PURPOSE FINANCIAL STATEMENTS**

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**The General Purpose Financial Statements present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.**

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**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit 1**

**Combined Balance Sheet - All Fund Types and Account Groups  
June 30, 2001  
(With Comparative Totals for June 30, 2000)**

		<u>Governmental</u>			<u>Proprietary</u>		<u>Account Groups</u>		<u>Totals</u>	
		<u>Fund Types</u>			<u>Fund Types</u>				<u>(Memorandum Only)</u>	
		<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Enterprise</u>	<u>Internal</u>	<u>General</u>	<u>General</u>		
<u>Assets and Other Debits</u>	<u>Notes</u>		<u>Revenue</u>	<u>Projects</u>		<u>Service</u>	<u>Fixed</u>	<u>Long-term</u>	<u>2001</u>	<u>2000</u>
							<u>Assets</u>	<u>Debt</u>		
Current assets:										
Cash and cash equivalents	1	\$ 3,301,094	\$ 152,913	\$ 26,448	\$ 4,487,288	\$ 286,638	\$ -	\$ -	\$ 8,254,381	\$ 7,256,735
Cash with administrative agent		-	-	-	-	77,108	-	-	77,108	71,946
Taxes receivable - net	1,4	204,106	-	-	-	-	-	-	204,106	155,228
Accounts receivable - net	1,4	276,117	-	-	1,064,483	-	-	-	1,340,601	1,440,419
Interest receivable		27,241	-	-	35,090	2,222	-	-	64,553	102,349
Due from other governmental agencies		82,249	-	-	-	-	-	-	82,249	95,509
Due from other funds	18	-	-	-	402,368	-	-	-	402,368	402,368
Inventories	1	37,437	-	-	503,988	-	-	-	541,424	456,640
Restricted cash and cash equivalents	1	174,334	-	-	2,027,244	-	-	-	2,201,578	2,709,105
Noncurrent assets and other debits:										
Investments	1,3	10,346	-	-	-	-	-	-	10,346	10,473
Fixed assets, at cost	1,5	-	-	-	46,085,937	-	12,799,247	-	58,885,184	59,322,916
Accumulated depreciation	1,5	-	-	-	(17,720,960)	-	-	-	(17,720,960)	(16,554,470)
Amounts to be provided for retirement of general long-term debt		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,586,078</u>	<u>2,586,078</u>	<u>2,154,426</u>
Total assets and other debits		<u>\$ 4,112,924</u>	<u>\$ 152,913</u>	<u>\$ 26,448</u>	<u>\$ 36,885,437</u>	<u>\$ 365,968</u>	<u>\$ 12,799,247</u>	<u>\$ 2,586,078</u>	<u>\$ 56,929,014</u>	<u>\$ 57,623,645</u>

cont.



Liabilities, Equity and Other Credits	Notes	Governmental Fund Types			Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	
		General	Special Revenue	Capital Projects	Enterprise	Internal Service	General Fixed Assets	General Long-Term Debt	2001	2000
Liabilities:										
Current liabilities:										
Accounts payable/accrued expenses		\$ 277,152	\$ 91,129	\$ 3,000	\$ 636,837	\$ 218,892	\$ -	\$ -	\$ 1,227,010	\$ 1,332,548
Due to other government		-	-	-	28,835	-	-	-	28,835	10,050
Customer deposits		-	-	-	157,657	-	-	-	157,657	153,695
Due to other funds	18	-	-	-	402,368	-	-	-	402,368	402,368
Deferred revenues	14	262,265	-	-	-	-	-	-	262,265	212,004
General obligation bonds payable	6	-	-	-	487,817	-	-	52,183	540,000	545,000
Discount on bonds issuance - net		-	-	-	(3,875)	-	-	-	(3,875)	(4,232)
Deferred loss on refunding - net		-	-	-	(205,707)	-	-	-	(205,707)	(224,696)
Loans payable	6	-	-	-	90,558	-	-	-	90,558	88,772
Installment purchase payable	7	-	-	-	649,757	-	-	422,903	1,072,660	923,341
Noncurrent liabilities:										
General obligation bonds payable	6	-	-	-	4,110,611	-	-	329,389	4,440,000	4,980,000
Loans payable	6	-	-	-	415,659	-	-	-	415,659	506,217
Installment purchase payable	7	-	-	-	5,905,248	-	-	1,173,192	7,078,440	7,231,099
Accrued vacation pay	1,6	-	-	-	88,629	-	-	275,665	364,294	344,951
Unfunded pension benefit obligation	6,8	-	-	-	-	-	-	332,747	332,747	193,367
Total liabilities		<u>539,417</u>	<u>91,129</u>	<u>3,000</u>	<u>12,764,393</u>	<u>218,892</u>	<u>-</u>	<u>2,586,078</u>	<u>16,202,910</u>	<u>16,694,482</u>
Equity and other credits:										
Investment in general fixed assets		-	-	-	-	-	12,799,247	-	12,799,247	13,389,759
Contributed capital	15	-	-	-	9,993,268	-	-	-	9,993,268	9,993,268
Retained earnings - unreserved		-	-	-	14,127,777	147,076	-	-	14,274,853	14,375,994
Fund balances:										
Reserved by State statute	1	197,570	-	-	-	-	-	-	197,570	348,318
Reserved for inventories	1	37,437	-	-	-	-	-	-	37,437	35,048
Reserved for encumbrances	1	283,050	-	-	-	-	-	-	283,050	240,085
Reserved for streets - Powell Bill	1	429,764	-	-	-	-	-	-	429,764	339,997
Reserved for open space fees	1	8,375	-	-	-	-	-	-	8,375	-
Unreserved (available for appropriation):										
Undesignated	1	<u>2,617,311</u>	<u>61,783</u>	<u>23,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,702,542</u>	<u>2,206,693</u>
Total equity and other credits		<u>3,573,507</u>	<u>61,783</u>	<u>23,448</u>	<u>24,121,045</u>	<u>147,076</u>	<u>12,799,247</u>	<u>-</u>	<u>40,726,105</u>	<u>40,929,162</u>
Total liabilities, equity and other credits		<u>\$ 4,112,924</u>	<u>\$ 152,913</u>	<u>\$ 26,448</u>	<u>\$ 36,885,437</u>	<u>\$ 365,968</u>	<u>\$ 12,799,247</u>	<u>\$ 2,586,078</u>	<u>\$ 56,929,014</u>	<u>\$ 57,623,645</u>

The accompanying notes are an integral part of the financial statements.



**Combined Statement of Revenues, Expenditures and Changes in Fund Balances -  
All Governmental Fund Types  
For the Year Ended June 30, 2001  
(With Comparative Totals for the Year Ended June 30, 2000)**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	2001	2000
<b>Revenues:</b>					
Ad valorem taxes	\$ 3,511,413	\$ -	\$ -	\$ 3,511,413	\$ 3,437,581
Other taxes and licenses	2,310,695	-	-	2,310,695	2,235,101
Unrestricted intergovernmental revenues	1,435,140	-	-	1,435,140	1,384,201
Restricted intergovernmental revenues	515,458	354,379	-	869,837	720,684
Permits and fees	80,322	-	-	80,322	66,915
Sales and services	498,049	-	-	498,049	480,068
Investment earnings	207,878	-	-	207,878	167,770
Other revenues	<u>143,501</u>	<u>-</u>	<u>-</u>	<u>143,501</u>	<u>216,917</u>
Total revenues	<u>8,702,457</u>	<u>354,379</u>	<u>-</u>	<u>9,056,836</u>	<u>8,709,238</u>
<b>Expenditures:</b>					
Current:					
General government	1,687,240	-	-	1,687,240	1,603,108
Public safety	3,562,055	-	-	3,562,055	3,015,908
Transportation	660,139	-	-	660,139	843,089
Environmental protection	896,416	-	-	896,416	958,177
Cultural and recreational	983,259	-	-	983,259	873,938
Economic and physical development	-	407,543	-	407,543	457,946
Capital outlay	-	-	5,705	5,705	124,800
Debt service:					
Principal retirement	387,848	-	-	387,848	352,907
Interest and fees	<u>76,024</u>	<u>-</u>	<u>-</u>	<u>76,024</u>	<u>84,165</u>
Total expenditures	<u>8,252,981</u>	<u>407,543</u>	<u>5,705</u>	<u>8,666,229</u>	<u>8,314,038</u>
Revenues over (under) expenditures	<u>449,477</u>	<u>(53,164)</u>	<u>(5,705)</u>	<u>390,608</u>	<u>395,199</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from borrowing	655,000	-	-	655,000	166,500
Operating transfers - in	-	43,000	19,208	62,208	282,082
Operating transfers - out	<u>(621,608)</u>	<u>-</u>	<u>-</u>	<u>(621,608)</u>	<u>(620,182)</u>
Total other financing sources (uses)	<u>33,392</u>	<u>43,000</u>	<u>19,208</u>	<u>95,600</u>	<u>(171,600)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	482,870	(10,164)	13,503	486,209	223,600
Fund balances, July 1	3,088,248	71,948	9,945	3,170,141	2,953,701
Increase (decrease) in reserve for inventory	<u>2,389</u>	<u>-</u>	<u>-</u>	<u>2,389</u>	<u>(7,160)</u>
Fund balances, June 30	<u>\$ 3,573,507</u>	<u>\$ 61,783</u>	<u>\$ 23,448</u>	<u>\$ 3,658,738</u>	<u>\$ 3,170,141</u>

*The accompanying notes are an integral part of the financial statements.*

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
For the Year Ended June 30, 2001**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Ad valorem taxes	\$ 3,407,200	\$ 3,511,413	\$ 104,213
Other taxes and licenses	2,276,650	2,310,695	34,045
Unrestricted intergovernmental revenues	1,430,600	1,435,140	4,540
Restricted intergovernmental revenues	478,150	515,458	37,308
Permits and fees	68,000	80,322	12,322
Sales and services	458,700	498,049	39,349
Investment earnings	118,200	207,878	89,678
Other revenues	<u>171,650</u>	<u>143,501</u>	<u>(28,149)</u>
Total revenues	<u>8,409,150</u>	<u>8,702,457</u>	<u>293,307</u>
<b>Expenditures:</b>			
Current:			
General government	1,895,750	1,687,240	208,510
Public safety	3,649,500	3,562,055	87,445
Transportation	1,023,550	660,139	363,411
Environmental protection	902,250	896,416	5,834
Cultural and recreational	1,138,650	983,259	155,391
Debt service:			
Principal retirement	447,950	387,848	60,102
Interest and fees	<u>20,000</u>	<u>76,024</u>	<u>(56,024)</u>
Total expenditures	<u>9,077,650</u>	<u>8,252,981</u>	<u>824,669</u>
Revenues over (under) expenditures	(668,500)	449,477	1,117,977
<b>Other Financing Sources (Uses):</b>			
Appropriated fund balance	635,150	-	(635,150)
Proceeds from borrowing	655,000	655,000	-
Operating transfers - in	-	-	-
Operating transfers - out	<u>(621,650)</u>	<u>(621,608)</u>	<u>42</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	482,870	<u>\$ 482,870</u>
Fund balance, July 1		3,088,248	
Increase (decrease) in reserve for inventory		<u>2,389</u>	
Fund balance, June 30		<u>\$ 3,573,507</u>	

*The accompanying notes are an integral part of the financial statements.*

**Combined Statement of Revenues, Expenses and Changes in  
Retained Earnings - All Proprietary Fund Types  
For the Year Ended June 30, 2001  
(With Comparative Totals for the Year Ended June 30, 2000)**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>2001</b>	<b>2000</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 11,220,725	\$ -	\$ 11,220,725	\$ 10,908,936
Other operating revenues	<u>619,801</u>	<u>774,129</u>	<u>1,393,930</u>	<u>1,294,923</u>
Total operating revenues	<u>11,840,526</u>	<u>774,129</u>	<u>12,614,655</u>	<u>12,203,859</u>
<b>Operating Expenses:</b>				
Power for resale	5,614,761	-	5,614,761	6,277,808
Operations	3,377,674	816,459	4,194,133	3,815,436
Maintenance	684,244	-	684,244	685,675
Administration	760,200	-	760,200	778,050
Contingency	226,000	-	226,000	-
Depreciation	<u>1,665,581</u>	<u>-</u>	<u>1,665,581</u>	<u>1,135,065</u>
Total operating expenses	<u>12,328,461</u>	<u>816,459</u>	<u>13,144,919</u>	<u>12,692,033</u>
Operating income (loss)	<u>(487,935)</u>	<u>(42,330)</u>	<u>(530,265)</u>	<u>(488,175)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Sales taxes	218,704	-	218,704	210,464
Investment earnings	388,215	16,008	404,224	508,823
Interest expense	(532,369)	-	(532,369)	(724,036)
Gain (loss) on disposal of fixed assets	<u>(220,835)</u>	<u>-</u>	<u>(220,835)</u>	<u>-</u>
Nonoperating revenues - net	<u>(146,284)</u>	<u>16,008</u>	<u>(130,276)</u>	<u>(4,749)</u>
Income (loss) before operating transfers	(634,219)	(26,322)	(660,541)	(492,924)
Transfer from (to) other funds:				
General Fund	602,400	-	602,400	602,400
Special Revenue Fund	(43,000)	-	(43,000)	(264,300)
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,914</u>
Net income (loss)	(74,819)	(26,322)	(101,141)	(142,909)
Retained earnings, July 1	<u>14,202,596</u>	<u>173,398</u>	<u>14,375,994</u>	<u>14,518,903</u>
Retained earnings, June 30	<u>\$ 14,127,777</u>	<u>\$ 147,076</u>	<u>\$ 14,274,853</u>	<u>\$ 14,375,994</u>

*The accompanying notes are an integral part of the financial statements.*

**Combined Statement of Cash Flows - All Proprietary Fund Types**  
**For the Year Ended June 30, 2001**  
**(With Comparative Totals for the Year Ended June 30, 2000)**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>2001</b>	<b>2000</b>
<b>Cash Flows From Operating Activities:</b>				
Operating income (loss)	\$ (487,935)	\$ (42,330)	\$ (530,265)	\$ (488,175)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,665,581	-	1,665,581	1,135,065
Changes in assets and liabilities:				
Accounts and interest receivable	182,700	1,382	184,082	(275,707)
Due to (from) other governmental agencies	18,785	-	18,785	(1,183)
Inventories	(82,396)	-	(82,396)	(78,377)
Accounts payable and accrued expenses	(268,799)	61,030	(207,769)	136,536
Customer deposits	3,962	-	3,962	(3,034)
Accrued vacation pay	<u>(5,778)</u>	<u>-</u>	<u>(5,778)</u>	<u>4,922</u>
Net cash provided by (used in) operating activities	<u>1,026,120</u>	<u>20,082</u>	<u>1,046,202</u>	<u>430,047</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Operating transfers - in	602,400	-	602,400	614,314
Operating transfers - (out)	<u>(43,000)</u>	<u>-</u>	<u>(43,000)</u>	<u>(264,300)</u>
Net cash provided by (used in) non-capital financing activities	<u>559,400</u>	<u>-</u>	<u>559,400</u>	<u>350,014</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(876,406)	-	(876,406)	(3,944,203)
Sales tax	218,704	-	218,704	210,464
Proceeds from disposal of fixed assets	3,702	-	3,702	-
(Increase) decrease in restricted cash	681,861	-	681,861	3,363,791
Payments of general obligation bonds, loans and installment purchase payable	(1,169,265)	-	(1,169,265)	(1,073,734)
Interest paid on general obligation bonds, loans and installment purchase payable	(513,023)	-	(513,023)	(704,690)
Proceeds from issuance of general obligation bonds, loans and installment purchases	<u>265,000</u>	<u>-</u>	<u>265,000</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,389,427)</u>	<u>-</u>	<u>(1,389,427)</u>	<u>(2,148,372)</u>

cont.

**Combined Statement of Cash Flows -  
All Proprietary Fund Type (continued)**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>	
	<b>Enterprise</b>	<b>Internal Service</b>	<b>2001</b>	<b>2000</b>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	<u>\$ 388,215</u>	<u>\$ 16,008</u>	<u>\$ 404,223</u>	<u>\$ 508,823</u>
Net increase (decrease) in cash and cash equivalents	584,308	36,090	620,398	(859,488)
Cash and cash equivalents at beginning of year	<u>3,902,981</u>	<u>327,656</u>	<u>4,230,637</u>	<u>5,090,124</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,487,289</u></u>	<u><u>\$ 363,746</u></u>	<u><u>\$ 4,851,035</u></u>	<u><u>\$ 4,230,636</u></u>
<b>Supplemental Schedule of Non Cash Financing Activities:</b>				
Acquisition of of assets through contribution of contributed capital	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Issuance of refunded debt to defease debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of discount on refunded debt	<u>\$ 358</u>	<u>\$ -</u>	<u>\$ 358</u>	<u>\$ 358</u>
Amortization of loss on refunded debt	<u>\$ 18,988</u>	<u>\$ -</u>	<u>\$ 18,988</u>	<u>\$ 18,988</u>

*The accompanying notes are an integral part of the financial statements.*





## **NOTES TO FINANCIAL STATEMENTS**

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**These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.**

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Newton conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

##### A. Reporting Entity

The City of Newton is a municipal corporation governed by an elected mayor and a six-member board of aldermen.

##### B. Basis of Presentation - Fund Accounting

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The City uses the following fund categories (further divided by fund type) and account groups:

**Governmental Funds** are used to account for the City's governmental functions. Governmental funds include the following fund types:

General Fund - The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and Federal and State grants and various other taxes and licenses. The primary expenditures are for public safety, streets and highways, sanitation, cultural, recreational, and general government services.

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The City maintains four Special Revenue Funds: the Rowe Subdivision Infrastructure Project, the Image Industries/Economic Development Project, the Prodelin Corporation Economic Development Project and 2000 City Urgent Repair Project of Newton.

Capital Projects Fund - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City has three Capital Projects Funds, the Downtown Facade Improvement Capital Project Fund, the US 321 Business Sidewalk Capital Project Fund, and West 1<sup>st</sup> Street within the governmental fund types. The Enterprise Fund Type Capital Projects (Water and Wastewater and Electric) have been included in each respective Enterprise Fund.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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**Proprietary Funds** include the following fund types:

Enterprise Funds - Enterprise Funds account for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City of Newton has two Enterprise Funds: the Water and Wastewater Fund and Electric Fund. For financial reporting purposes the Water and Wastewater and Electric capital projects have been consolidated with the enterprise operating funds.

Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental units, or to other governmental units, on a cost-reimbursement basis. The City of Newton has one Internal Service Fund, the Health Insurance Fund, which accounts for the payment of medical claims of the City's employees and their covered dependents.

**Account Groups -**

General Fixed Assets Account Group - This account group is used to account for fixed assets that are not accounted for in proprietary or trust funds.

General Long-Term Debt Account Group - This account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements for these funds present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, Accounting and Financial Reporting for Nonexchange Transactions, the Board has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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The basis of accounting determines when revenues and expenditures or expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements on this same basis. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e. when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The City recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

The City considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Catawba County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Newton. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Catawba County from March 2000 through February 2001 apply to the fiscal year ended June 30, 2001. Uncollected taxes which were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2001 because they are intended to finance the City's operations during the 2002 fiscal year.

Sales taxes collected and held by the State at year end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as deferred revenues.

Proprietary Funds, which include the Enterprise and Internal Service Funds, are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### **D. Budgetary Data**

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Enterprise Funds and the Internal Service Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Fund and the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, several amendments to the original budget were necessary, the effects of which were not material. Budget transfers are ordained by the Board of Aldermen as follows:

- (1) The City Manager is hereby authorized to approve transfers of appropriations between line items within a division budget.
- (2) In accordance with G.S. 159-13(b)(3), each expenditure to be charged against a contingency appropriation shall be authorized only by Resolution of the Board of Aldermen. In an emergency situation, the City Manager may approve an expenditure to be charged to a contingency account provided that such emergency expenditure is reported to the Board of Aldermen at its next meeting.
- (3) The City Manager is hereby authorized to approve budget transfers within a department from one division to another.
- (4) Transfers from one fund to another shall not be allowed except as is authorized by the Budget and Fiscal Control Act and such transfers shall be approved by the Board of Aldermen prior to transfer.
- (5) All transfers as authorized hereinabove shall be reported monthly to the Board of Aldermen and included in the minutes of the Board.
- (6) The Director of Finance shall prepare forms necessary to document each budget transfer and comply with the reporting of the budget transfers as specified hereinabove.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of that budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and the revenue estimates for their department for the budget year.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget shall be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

As required by State law (G.S. 159-26(d)), the City maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget.

#### **E. Assets, Liabilities and Fund Equity**

##### **1. Deposits and Investments**

Deposits - All deposits of the City are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments - State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

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## **CITY OF NEWTON, NORTH CAROLINA**

### **Notes to the Financial Statements June 30, 2001**

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In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

#### **2. Cash and Cash Equivalents**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

#### **3. Restricted Cash and Cash Equivalents**

The unexpended installment purchase proceeds of the General Fund and Enterprise Fund are classified as restricted assets because their use is completely restricted to the purpose for which the financing was originally issued.

#### **4. Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. Liens are placed on these taxes as of March 1 each year. These taxes are based on the assessed values as of January 1, 2000.

#### **5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

#### **6. Inventory**

The inventories of the City are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies and they are recorded as expenditures when purchased. The General Fund inventory reported on the Combined Balance Sheet is offset by a fund balance reserve that indicates it does not constitute a resource available for appropriation even though it is a component of net current assets.



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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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The inventory of the City's enterprise funds consists of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

#### **7. Fixed Assets**

The City's general fixed assets are recorded at original cost. Donated assets are listed at the market value at the time of donation. Certain items acquired before July 1, 1970, are recorded at an estimated original cost. The total of such estimates is not considered large enough that errors would be material when the fixed assets are considered as a whole.

Public domain or infrastructure general fixed assets are not capitalized because such assets are immovable and are of value only to the City.

Property, plant and equipment in the proprietary funds of the City is recorded at original cost at the time of acquisition. Property, plant and equipment donated to these proprietary fund type operations are recorded at the estimated fair market value at the date of donation. Plant assets of the City are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition, at a 2% annual rate. In the composite rate, gain or loss on dispositions is not calculated except in extraordinary circumstances. Other assets of the City are depreciated on a class life basis at the following rates:

Furniture and office equipment	10%
Maintenance and construction equipment	12%
Medium and heavy motor vehicles	16%
Automobiles and light trucks	30%

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

#### **8. Long-Term Obligations**

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For the proprietary fund types, material bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Material issuance costs are reported as deferred charges.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements

June 30, 2001

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The City's long-term debt for water and wastewater and electric purposes is carried in the Enterprise Funds rather than the General Long-Term Debt Account Group. The debt service requirements for the Water and Wastewater and Electric debt are being met by water and wastewater and electric revenues, but the taxing power of the City is pledged to make these payments if water and wastewater and electric revenues should ever be insufficient. Long-term debt for other purposes is included in the General Long-Term Debt Account Group (e.g., vacation pay, general obligation bonds, unfunded pension benefit obligation and capital leases). The debt service requirements for all debt carried in the General Long-Term Debt Account Group are appropriated annually in the General Fund.

#### 9. Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balance as follows:

##### **Reserved**

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivable and interfund receivables which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved for open space fees - portion of fund balance available to pay for recreational needs.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2001-2002 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

#### F. Revenues, Expenditures and Expenses

##### 1. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "Operating transfers-out" in the General Fund and "Operating transfers-in" in the receiving fund.

##### 2. Compensated Absences

The vacation policy of the City provides for the accumulation of up to two hundred forty (240) hours earned vacation leave with such leave being fully vested when earned. For the City, the current portion of the accumulated vacation pay is not considered to be material; no expenditure or liability has been recorded in the governmental funds. The City's liability for accumulated earned vacation and the salary-related payments for governmental funds is recorded in the General Long-Term Debt Account Group. For the City's proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded within the funds as the leave is earned.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### G. Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Total (Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

#### H. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### 2. Stewardship, Compliance and Accountability

##### A. Excess of Expenditures Over Appropriations

Excess of Expenditures over Appropriations in Individual Funds - As shown in the statement of revenues and expenditures of the Enterprise Fund, the following department exceeded its budget appropriation for the year ended June 30, 2000:

Enterprise Fund:

Water and Wastewater Fund - Maintenance	\$ 5,844
Water and Wastewater Fund - Debt Service	\$19,255

#### 3. Deposits and Investments

##### A. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2001, the City's deposits had a carrying amount of \$6,142,270 and a bank balance of \$6,342,019. The bank balance of the City was fully covered by the Pooling Method.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### B. Investments

The investments of the City are categorized to give an indication of the level of custodial risk assumed by each of these entities at year-end. Column A includes investments that are insured or registered or for which the securities are held by the City or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name. The investments in the North Carolina Capital Management Trust are exempt from risk categorization because the City does not own any identifiable securities, but are shareholders of a percentage of the funds.

At June 30, 2001, the City's investments were as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Reported Value</u>	<u>Fair Value</u>
Governmental National Mortgage Association (GNMA)	<u>\$10,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,346</u>	<u>\$ 10,346</u>
Total	<u><u>\$10,346</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	10,346	10,346
Investments not subject to categorization:					
North Carolina Cash Management Trust Mutual Fund				2,112,111	2,112,111
Restricted cash and investments held in pooled cash or Mutual Fund accounts				<u>2,201,578</u>	<u>2,201,578</u>
Total				<u><u>\$4,324,035</u></u>	<u><u>\$4,324,035</u></u>

#### 4. Receivables - Allowance for Doubtful Accounts

The amounts presented in Exhibit 1, the Combined Balance Sheet, are net of the following allowances for doubtful accounts:

General Fund:	
Allowance for uncollectible property taxes receivable	<u><u>\$20,701</u></u>
Enterprise Funds - allowances for uncollectible receivables:	
Water and Wastewater Fund	\$ 9,700
Electric Fund	<u>27,300</u>
Total	<u><u>\$37,000</u></u>

# CITY OF NEWTON, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2001

### 5. Fixed Assets

A. A summary of changes in the City's general fixed assets follows:

	Balances June 30, 2000	Additions	Net Transfers	Retirements	Balances June 30, 2001
By asset type:					
Land and improvements	\$ 2,010,652	\$ -	\$ -	\$ -	\$ 2,010,652
Buildings and improvements	4,851,957	257,519	-	1,423,033	3,686,443
Equipment and vehicles	6,375,244	772,535	-	63,344	7,084,435
Construction in progress	<u>151,906</u>	<u>55,720</u>	<u>-</u>	<u>189,909</u>	<u>17,717</u>
Total	<u>\$13,389,759</u>	<u>\$1,085,774</u>	<u>\$ -</u>	<u>\$1,676,286</u>	<u>\$12,799,247</u>
By function:					
General government	\$ 4,459,601	\$ 252,889	\$ -	\$1,578,018	\$ 3,134,472
Public safety	3,540,019	549,288	-	40,015	4,049,292
Transportation	2,049,756	96,454	-	-	2,146,210
Environmental protection	684,925	118,309	-	50,694	752,540
Cultural and recreational	<u>2,655,458</u>	<u>68,834</u>	<u>-</u>	<u>7,559</u>	<u>2,716,733</u>
Total	<u>\$13,389,759</u>	<u>\$1,085,774</u>	<u>\$ -</u>	<u>\$1,676,286</u>	<u>\$12,799,247</u>
	Balances June 30, 2000	Additions	Net Transfers	Retirements	Balances June 30, 2001
By funding source:					
Assets purchased prior to 1984-85					
from undetermined sources	\$ 3,764,610	\$ -	\$ -	\$ -	\$ 3,764,610
General Fund	8,324,351	1,085,774	-	1,676,286	7,733,839
Contributions	32,026	-	-	-	32,026
Capital Projects Fund:					
General obligation bond proceeds	695,317	-	-	-	695,317
Federal grants	267,678	-	-	-	267,678
State grants	<u>305,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>305,777</u>
Total	<u>\$13,389,759</u>	<u>\$1,085,774</u>	<u>\$ -</u>	<u>\$1,676,286</u>	<u>\$12,799,247</u>
Reconciliation of additions:					
General Fund capital outlay expenditures		<u>\$1,085,774</u>			
Total		<u>\$1,085,774</u>			

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**CITY OF NEWTON, NORTH CAROLINA****Notes to the Financial Statements  
June 30, 2001**

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**B.** A summary of enterprise fund type property and equipment at June 30, 2001 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Water and Wastewater Fund:			
Land and improvements	\$ 213,109	\$ -	\$ 213,109
Buildings and improvements	19,298,156	8,560,898	10,737,258
Distribution system	16,055,812	5,006,336	11,049,476
Furniture and maintenance equipment	633,695	313,464	320,231
Vehicles	375,708	293,288	82,420
Construction in progress	<u>370,364</u>	<u>-</u>	<u>370,364</u>
Total	<u>\$36,946,844</u>	<u>\$14,173,986</u>	<u>\$22,772,857</u>
Electric Fund:			
Land and improvements	\$ 5,000	\$ -	\$ 5,000
Buildings and improvements	500,567	311,967	188,600
Distribution system	7,619,244	2,572,102	5,047,142
Furniture and maintenance equipment	524,057	369,795	154,262
Vehicles	403,711	293,109	110,601
Construction in progress	<u>86,516</u>	<u>-</u>	<u>86,516</u>
Total	<u>\$ 9,139,094</u>	<u>\$ 3,546,974</u>	<u>\$ 5,592,120</u>

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### 6. Long-Term Debt

##### Bonds Payable

The City's general obligation bonds serviced by the governmental funds are accounted for in the General Long-Term Debt Account Group. The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and wastewater systems and which are being retired by its resources are reported as long-term debt in the Water and Wastewater Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2001 are comprised of the following individual issues:

Serviced by the Water and Wastewater Fund:

\$3,466,761, 1986 refunded water serial bonds due in annual installments ranging from \$104,789 to \$397,324 through February 1, 2007; interest at 4.7% to 5.0%	\$1,467,042
\$3,553,649, 1999 refunded sewer serial bonds due in annual installments ranging from \$84,125 to \$519,957 through April 2012; interest at 4.0% to 4.3%	3,131,386

Serviced by the General Fund:

\$503,239, 1984 refunded recreation center serial bonds in annual installments ranging from \$15,211 to \$57,676 through February 1, 2007; interest at 4.7% to 5.0%	212,958
\$191,351, 1999 refunded recreation center serial bonds due in annual installments ranging from \$4,530 to \$27,998 through April, 2012; interest at 4.0% to 4.3%	<u>168,614</u>

Total	<u>\$4,980,000</u>
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##### Loans Payable

The loans payable shown in the Water and Wastewater Funds are due to the County of Catawba, North Carolina in conjunction with the construction of various water and wastewater projects. The projects were complete and operating as of June 30, 2001. Principal and interest requirements are appropriated when due.

Loans payable at June 30, 2001 are comprised of the following:

Serviced by the Water and Wastewater Fund:

\$40,132, 1986 noninterest bearing water loan payable to Catawba County due in annual installments of \$301 through November, 2007	\$ 2,107
\$133,427, 1984 noninterest bearing wastewater loan payable to Catawba County due in annual installments of \$6,671 through May 2005	26,685
\$158,644, 1985 noninterest bearing water loan payable to Catawba County due in annual installments of \$7,932 through April, 2006	39,661
\$210,000, 1984 wastewater loan payable to Catawba County due in annual installments of \$11,025, including interest at 5.0% through May 2005	43,588



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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements

June 30, 2001

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\$145,385, 1990 noninterest bearing water loan payable to Catawba County due in annual installments of \$7,631 through June, 2010	\$ 68,683
\$213,183, 1992 and 1991 noninterest water loan payable to Catawba County due in annual installments of \$10,659 through June, 2011	117,251
\$138,750, 1995 Walnut Creek noninterest bearing wastewater line project loan to Catawba County in annual installments of \$13,875 through 2005	55,500
\$184,730, 1994 McKay Road project noninterest bearing loan payable to Catawba County, in annual installments of \$9,237 through 2014	129,311
\$131,749, 1996 water line relocation loan payable to N.C. Department of Transportation due in annual installments of \$25,305, including interest at through 2001	<u>23,431</u>
Total	<u>\$506,217</u>

#### Advance Refunding - Prior Year

On May 4, 1999, the City issued \$3,745,000 in general obligation Recreation and Sewer Refunding Bonds with interest rates of 4.0 to 4.3 percent to advance refund \$175,000 of outstanding 1992 Recreation bonds and \$3,270,000 of outstanding 2012 Sewer Bonds with interest rates of 5.9 to 6.2 percent. The net proceeds of \$3,745,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Recreation and Sewer Bonds. As a result, the 1992 Recreation and Sewer Bonds are considered to be defeased and the liability for the 1992 Recreation and Sewer bonds has been removed from the general long-term debt account group and the Sewer Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$245,267. This difference, net of the accumulated amortization of \$39,559, is reported in the accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2012, the life of the new debt which is equal to the life of the refunded debt, using the effective-interest method. The bond issuance costs associated with the advance refunding of the Recreation Bonds were expensed during the current period because they were not considered to be material. The bond issuance costs of the Sewer Bonds are being amortized over the life of the new debt, with current year amortization of \$748. The City completed the advance refunding to reduce its total debt service payments over the next 12 years by \$226,895 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$181,021.

On November 9, 1992, the City issued \$3,970,000 in General Obligation Bonds with an average interest rate of 4.9 percent to advance refund \$450,000 of outstanding 1984 Recreation Bonds and \$3,100,000 of 1986 Water Bonds with average interest rates of 8.50 and 7.50 percent, respectively. The net proceeds of \$3,899,348 (after payment of \$70,562 in underwriting fees and other issuance costs), plus an additional \$104,149 of Water Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1984 and 1986 bonds. As a result, the 1984 and 1986 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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The City advance refunded the 1984 Recreation Bonds to increase its total debt service payments over the next 15 years by \$58,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$44,000. The general long-term debt outstanding at June 30, 2001 related to the refunding and being serviced by the general fund was \$212,958.

Although the advance refunding that related to the proprietary (Water and Wastewater Fund) resulted in the recognition of an accounting loss of \$366,761 for the year ended June 30, 1993, the City in effect reduced its aggregate debt service payments by \$443,597 over the next 15 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$204,000. The general long-term debt outstanding related to the refunding and being serviced by the water and sewer fund was \$1,467,042.

#### Legal Debt Margin

At June 30, 2001, the City of Newton had bonds authorized but unissued totaling \$1,000,000 and had a legal debt margin of \$47,677,831.

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group:

	<b>June 30, 2000</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2001</b>
By type of debt:				
General obligation bonds	\$ 434,389	\$ -	\$ 52,817	\$ 381,572
Accrued compensated absences	250,545	25,120	-	275,665
Unfunded pension benefit obligation	193,367	139,380	-	332,747
Installment purchase payable	<u>1,276,125</u>	<u>655,000</u>	<u>335,030</u>	<u>1,596,095</u>
Total	<u>\$2,154,426</u>	<u>\$819,500</u>	<u>\$387,847</u>	<u>\$2,586,078</u>
By purpose:				
Recreation center	\$ 434,389	\$ -	\$ 52,817	\$ 381,572
Vacation pay	250,545	25,120	-	275,665
Law enforcement officers special separation allowance	193,367	139,380	-	332,747
Fire truck (1996)	376,185	-	87,422	288,763
Engineering copier	5,078	-	2,553	2,525
Recycle truck	26,504	-	26,504	-
Equipment	401,561	655,000	107,062	949,499
Police vehicles	295,422	-	71,247	224,175
Refuse rollouts	<u>171,375</u>	<u>-</u>	<u>40,243</u>	<u>131,132</u>
Total	<u>\$2,154,426</u>	<u>\$819,500</u>	<u>\$387,847</u>	<u>\$2,586,078</u>

# CITY OF NEWTON, NORTH CAROLINA

## Notes to the Financial Statements June 30, 2001

The following table summarizes the annual requirements to amortize all long-term debt, excluding vacation pay and unfunded pension benefit obligation:

	<b>General Obligation Bonds</b>		<b>Loans Payable</b>		<b>Total Debt Due</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
General Long-term Debt:						
2002	\$ 52,183	\$ 17,451	\$ -	\$ -	\$ 52,183	\$ 17,451
2003	50,660	14,952	-	-	50,660	14,952
2004	50,026	12,527	-	-	50,026	12,527
2005	48,758	10,133	-	-	48,758	10,133
2006	47,869	7,802	-	-	47,869	7,802
Thereafter	<u>132,076</u>	<u>15,896</u>	<u>-</u>	<u>-</u>	<u>132,076</u>	<u>15,896</u>
Total	<u>381,572</u>	<u>78,761</u>	<u>-</u>	<u>-</u>	<u>381,572</u>	<u>78,761</u>
Enterprise Fund:						
2002	487,817	199,704	90,558	2,079	578,375	201,783
2003	474,340	177,353	67,178	154	541,518	177,507
2004	469,974	155,628	67,229	103	537,203	155,731
2005	461,242	134,122	67,280	52	528,522	134,174
2006	452,131	113,053	35,760	-	487,891	113,053
Thereafter	<u>2,252,924</u>	<u>285,229</u>	<u>178,212</u>	<u>-</u>	<u>2,431,136</u>	<u>285,229</u>
Total	<u>4,598,428</u>	<u>1,065,089</u>	<u>506,217</u>	<u>2,388</u>	<u>5,104,645</u>	<u>1,067,477</u>
Total	<u>\$4,980,000</u>	<u>\$1,143,850</u>	<u>\$ 506,217</u>	<u>\$ 2,388</u>	<u>\$5,486,217</u>	<u>\$1,146,238</u>

### 7. Installment Purchase Payable

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of assets recorded under capital leases in both the City's General Long Term Debt Account Group and the Enterprise Fund at June 30, 2001:

<b><u>Classes of Property</u></b>	<b><u>General Fixed Asset Account Group</u></b>	<b><u>Enterprise Fund</u></b>
Distribution System	\$ -	\$3,758,150
Vehicles	1,608,264	89,250
Equipment	<u>1,303,480</u>	<u>3,826,850</u>
	<u>\$2,911,744</u>	<u>\$7,674,250</u>

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**CITY OF NEWTON, NORTH CAROLINA****Notes to the Financial Statements**  
**June 30, 2001**

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2001 were as follows:

<b><u>Year Ended June 30,</u></b>	<b><u>General Fixed Asset Account Group</u></b>	<b><u>Enterprise Fund</u></b>
2002	\$ 501,165	\$ 922,606
2003	498,538	910,662
2004	395,393	875,602
2005	173,333	824,713
2006	135,247	811,987
Thereafter	<u>105,276</u>	<u>3,752,003</u>
Total minimum lease payments	1,808,951	8,097,572
Less amount representing interest	<u>212,856</u>	<u>1,542,567</u>
Present value of future minimum lease	<u><u>\$1,596,095</u></u>	<u><u>\$6,555,005</u></u>

**8. Pension Plan Obligations****A. Local Government Employees' Retirement System****Plan Description**

The City of Newton contributes to the statewide Local Government Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR included financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 5.39% and 5.08%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Newton is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2001, 2000 and 1999 were \$279,583, \$274,028, and \$247,405, respectively. The contributions made by the City equaled the required contribution for each year.

#### B. Law Enforcement Officers Special Separation Allowance

##### Plan Description

The City of Newton administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2000, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>35</u>
Total	<u>35</u>

A separate report was not issued for the plan.

#### Summary of Significant Accounting Policies

**Basis of Accounting** - The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures will be made from the General Fund, which is maintained on the modified accrual basis of accounting.

**Method Used to Value Investments** - No funds are set aside to pay benefits and administration costs. These expenditures will be paid as they become due.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2000 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumption included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9%-9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

Annual Pension Cost and Net Pension Obligation - The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 32,446
Interest on net pension obligation	10,100
Adjustment to annual required contribution	<u>(12,959)</u>
Annual pension cost	29,587
Contributions made for the fiscal year ending June 30, 2001	<u>-</u>
Increase (decrease) in net pension obligation	29,587
Net pension obligation beginning of year	<u>139,308</u>
Net pension obligation end of year	<u>\$168,895</u>

#### 3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/1999	\$20,277	0%	\$115,058
6/30/2000	\$24,250	0%	\$139,308
6/30/3001	\$29,587	0%	\$168,895

#### C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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Funding Policy - Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2001 were \$80,524, which consisted of \$58,810 from the City and \$21,714 from the law enforcement officers.

#### **9. Other Postemployment Benefits**

##### **Health Care Benefits**

According to a City resolution, the City provides postretirement health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System). Employees of the City who retire may elect to continue health care coverage, provided the following eligibility requirements are met by the retiring employee:

- 1) The retiring employee must meet the retirement qualifications outlined by the North Carolina Local Government Employees Retirement System.
- 2) The retiring employee must be at least fifty-five years of age.
- 3) The employee's last twenty full-time consecutive years of employment must have been with the City.
- 4) Coverage will terminate upon the retiring employee attaining the age of sixty-five.
- 5) The retiring employee is responsible for paying the monthly premium, in advance, to the City.
- 6) The retiring employee may elect to include family coverage only if the employee was covering the family at the time of retirement. In case of death of the retired employee before age sixty-five, family coverage would terminate on the last day of the month in which the retired employee dies.

For employees at the City who have thirty (30) or more consecutive years of employment with the City, the City pays the full cost of coverage for the retiree only.

Currently two (2) retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2001, the City made payments for postretirement health benefit premiums of \$8,846. The City obtains health care coverage through private insurers.

##### **Death Benefits**

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State.

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## **CITY OF NEWTON, NORTH CAROLINA**

### **Notes to the Financial Statements June 30, 2001**

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Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2001 the City made contributions to the State for death benefits of \$7,357. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .14% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

#### **10. Commitments**

At June 30, 2001, the City had commitments of approximately \$94,129 for construction of water and wastewater lines. These projects are being funded by the Special Revenue Funds and the Enterprise Funds.

#### **11. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disaster for which the City carries commercial insurance. The City has workers' compensation coverage of \$1,000,000 per occurrence, law enforcement officers' liability and public official liability of \$2 million per occurrence, with a \$2 million umbrella policy, auto liability of \$1 million per accident, public entity general liability of \$3 million; inland marine and commercial of \$1,171,430 and blanket bonding of \$10,000 per employee.

There have been no significant reductions in insurance coverage from previous years and settled claims have not exceeded coverage in any of the past three fiscal years.

#### **12. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the Plan), subject only to the claims of the City's general creditors. Participants' rights under the Plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.



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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The Plan is administered by the International City Management Association. Investments are managed by the plan trustee under several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

#### 13. Self-Insurance

The City has established a medical Health Insurance Fund in the Internal Service Fund group. The purpose of this fund is to pay medical claims of the City's employees and their covered dependents and minimize the total cost of annual medical insurance to the City. Self-insurance is in effect for losses up to \$45,000 per participant per year. Aggregate stop-loss coverage is at 120% of expected claims. Losses greater than \$40,000 per participant, and those in excess of the aggregate stop-loss, are insured by a private insurance company.

The Health Insurance Fund collects interfund premiums from insured funds and departments and pays claim settlements and purchases certain insurance policies. Interfund revenues and expenses are accrued when the interfund premiums are earned. Interfund premiums are based on the insured funds' claims experience and are adjusted to cover all reported claims. Claims settlement and loss expenses are accrued in the Health Insurance Fund for the settlement value of claims reported and the estimated value of claims incurred but not reported, up to stop-loss arising from accidents during the period. A liability is established simultaneously. No actuarial study has been performed on the Health Insurance Fund.

The following is a reconciliation of the claims liability for the year ended June 30:

	<u>2001</u>	<u>2000</u>
Claims liability, beginning of year	\$157,861	\$137,054
Claims incurred	634,098	475,586
Changes in estimate from claims of prior periods	-	-
Payments on claims	<u>(573,067)</u>	<u>(454,779)</u>
Claims liability, end of year	<u>\$ 218,892</u>	<u>\$157,861</u>

#### 14. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>General</u>
Unearned School Resource Funds	\$ 41,898
Prepaid assessments not yet earned	12,179
Taxes receivable, net	204,106
Assessments receivable	<u>4,082</u>
Total deferred revenues	<u>\$262,265</u>

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## CITY OF NEWTON, NORTH CAROLINA

### Notes to the Financial Statements June 30, 2001

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#### 15. Proprietary Funds - Contributed Capital

Grants, entitlements and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions. As required by GASB Statement 33, the City has begun recognizing capital contributions as revenue in the current year rather than as contributed capital. The City utilizes an option allowed under NCGA Statement 2 for the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings whereby it closes depreciation expense on assets acquired or constructed through grants, entitlements, or shared revenues to the contributed capital account rather than to retained earnings.

The following is a summary of changes in contributed capital at June 30, 2001:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Unidentified</u>	<u>Total</u>
Water and Wastewater Fund, balance					
7-1-2000	\$ 30,724	\$609,431	\$1,400,488	\$7,875,625	\$9,916,268
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water and Wastewater Fund, balance					
6-30-2001	<u>\$ 30,724</u>	<u>\$609,431</u>	<u>\$1,400,488</u>	<u>\$7,875,625</u>	<u>\$9,916,268</u>
Electric Fund, balance					
7-1-2000	\$ -	\$ -	\$ 77,000	\$ -	\$ 77,000
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Electric Fund, balance					
6-30-2001	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,000</u>	<u>\$ -</u>	<u>\$ 77,000</u>

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**CITY OF NEWTON, NORTH CAROLINA****Notes to the Financial Statements**  
**June 30, 2001**

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**16. Segment Information - Enterprise Funds**

The accompanying combined financial statements include three Enterprise Funds which provide electric, water and sewer services. Segment information for the year ended June 30, 2001, is as follows:

	<b>Water and Wastewater Fund</b>	<b>Electric Fund</b>	<b>Total Enterprise Funds</b>
Results of operations:			
Operating revenues	\$4,009,685	\$7,830,840	\$11,840,525
Depreciation expense	1,285,287	380,294	1,665,581
Operating income (loss)	(612,483)	124,548	(487,935)
Operating transfer in (out)	559,400	-	559,400
Net income (loss)	(402,997)	328,178	(74,819)
Financial position:			
Total assets	27,048,902	9,836,535	36,885,436
Fixed assets, net	22,772,857	5,592,120	28,364,977
Acquisition of fixed assets	279,893	8,813	288,706
Net working capital	3,045,985	3,230,229	6,276,214
Long-term debt, net of current maturities	7,852,597	2,578,921	9,203,386
Contributed capital	9,916,268	77,000	9,993,268
Retained earnings	7,991,065	6,136,712	14,127,777
Total fund equity	17,907,332	6,213,712	24,121,044

**17. Summary Disclosure of Significant Contingencies****Federal and State Assisted Programs**

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Electric Deregulation**

In 1997, the General Assembly appointed the Study Commission on the Future of Electric Service in North Carolina ("Study Commission") to examine the cost, adequacy, availability and pricing of electric rates in North Carolina, in order to determine whether legislation is necessary to assure an adequate and reliable source of electricity and economical, fair and equitable rates for all consumers in North Carolina.

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**CITY OF NEWTON, NORTH CAROLINA**

**Notes to the Financial Statements**

**June 30, 2001**

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The Study Commission submitted its report to the 2000 General Assembly on May 16, 2000. That report recommended retail choice for all customers by January 1, 2006. Specific recommendations on Municipal Power Agency debt and stranded costs were deferred. The report did state that nothing in the recommendation was intended to preclude municipalities from being able to sell or retain their distribution systems by making a payment against the municipal power agency debt equal to the appraised value of the electric system. In January 2001, the Study Commission decided not to present legislation to the General Assembly in 2001. The Study Commission is continuing to study the issue of electric deregulation.

The City and the Electric Agency are unable to predict the results of the study or the recommendations made by the Study Commission, or whether the recommendation to the General Assembly will be enacted into law.

Although the impact of retail electric competition cannot be measured at this time, if such competition becomes applicable to the City, it may cause significant changes in (i) the number of customers, (ii) the costs to the customers, (iii) revenues, (iv) financing costs, and (v) debt ratings.

**1. Interfund Receivables and Payables**

The composition of interfund balances at June 30, 2001 is as follows:

	<u><b>Receivable</b></u>	<u><b>Payables</b></u>
Electric Fund	\$ 402,368	\$ -
Water and Wastewater Fund	<u>-</u>	<u>402,368</u>
Total	<u><u>\$ 402,368</u></u>	<u><u>\$ 402,368</u></u>

**2. Jointly Governed Organizations**

**North Carolina City Electric Agency**

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, which receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement or residual interest. The City's purchase of power for the fiscal year ended June 30, 2001 was \$5,614,761.

**Newton-Conover Auditorium Authority**

The Newton-Conover Auditorium Authority was organized and incorporated by the Secretary of State of North Carolina as a nonprofit corporation on December 27, 1990. It is composed of a board of directors including members appointed by the City of Newton (four members); Newton-Conover School Board (three members); and the Catawba County Board of Commissioners (three members). The Authority's responsibilities include the restoration and renovation of the former Newton-Conover High School auditorium for use as a civic auditorium for a wide range of community activities. This community auditorium is available for use by individuals, civic groups, the schools and the local community theater group, "The Green Room".

## **REQUIRED SUPPLEMENTARY FINANCIAL DATA**

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**This section contains additional information required by generally accepted accounting principles**

- # Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance.**
  - # Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance.**
  - # Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance.**
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**Schedule of Law Enforcement Officers'  
Special Separation Allowance  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
		Liability (AAL) -Projected Unit Credit (b)					
12/31/91	-0-	\$ 53,326		\$ 53,326	0%	\$ 665,474	8.01%
12/31/92	-0-	61,337		61,337	0%	650,890	9.42%
12/31/93	-0-	70,605		70,605	0%	756,544	9.33%
12/31/94	-0-	75,424		75,424	0%	773,302	9.75%
12/31/95	-0-	83,672		83,672	0%	806,115	10.38%
12/31/96	-0-	100,782		100,782	0%	861,972	11.69%
12/31/97	-0-	123,169		123,169	0%	924,900	13.32%
12/31/98	-0-	153,563		153,563	0%	984,420	15.60%
12/31/99	-0-	193,367		193,367	0%	1,086,991	17.79%
12/31/00	-0-	332,747		332,747	0%	1,120,483	29.70%

(a) Plan was established effective January 1, 1987 with the initial actuarial valuation performed as of December 31, 1988. Isolated analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the City of Newton Law Enforcement Officers' Special Separation Allowance (the Plan) funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual valuation payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan. To date, the City of Newton has not funded the Plan nor has the Plan had any expenditures since its inception.

**Schedule of Law Enforcement Officers'  
Special Separation Allowance  
Notes to Required Schedule**

**Law Enforcement Officers' Special Separation Allowance Schedule of Employer Contributions**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$21,860	2.32%
2000	26,376	2.63%
2001	32,446	2.93%
2002	42,349	3.71%

**Notes to Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/00
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	20 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9 - 9.8%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A



## **GENERAL FUND**

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**The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.**

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**General Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and short-term investments	\$ 3,301,094	\$ 2,959,883
Other investments	10,346	10,473
Taxes receivable, net	204,106	155,228
Accounts receivable, net	276,117	213,287
Interest receivable	27,241	43,604
Due from other governmental agencies	82,249	95,509
Inventories	37,437	35,048
Restricted cash and cash equivalents	<u>174,334</u>	<u>-</u>
Total assets	<u>\$ 4,112,924</u>	<u>\$ 3,513,032</u>
<b><u>Liabilities and Fund Balances</u></b>		
Liabilities:		
Accounts payable and accrued expenditures/expenses	\$ 277,152	\$ 212,780
Deferred revenues	<u>262,265</u>	<u>212,004</u>
Total liabilities	<u>539,417</u>	<u>424,784</u>
Fund balances:		
Reserved by State statute	197,570	348,318
Reserved for inventories	37,437	35,048
Reserved for encumbrances	283,050	240,085
Reserved for streets - Powell Bill	429,764	339,997
Reserved for open space fees	8,375	-
Unreserved:		
Undesignated	<u>2,617,311</u>	<u>2,124,800</u>
Total fund balances	<u>3,573,507</u>	<u>3,088,248</u>
Total liabilities and fund balances	<u>\$ 4,112,924</u>	<u>\$ 3,513,032</u>

**General Fund**  
**Comparative Statements of Revenues, Expenditures and Changes**  
**In Fund Balances**  
**For the Years Ended June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Revenues:</b>		
Ad valorem taxes	\$ 3,511,413	\$ 3,437,581
Other taxes and licenses	2,310,695	2,235,101
Unrestricted intergovernmental revenues	1,435,140	1,384,201
Restricted intergovernmental revenues	515,458	475,290
Permits and fees	80,322	66,915
Sales and services	498,049	480,068
Investment earnings	207,878	167,770
Other revenues	<u>143,501</u>	<u>216,917</u>
Total revenues	<u>8,702,457</u>	<u>8,463,844</u>
<b>Expenditures:</b>		
Current:		
General government	1,687,240	1,603,108
Public safety	3,562,055	3,015,908
Transportation	660,139	843,089
Environmental protection	896,416	958,177
Cultural and recreational	983,259	873,938
Debt service:		
Principal retirement	387,848	352,907
Interest and fees	<u>76,024</u>	<u>84,165</u>
Total expenditures	<u>8,252,981</u>	<u>7,731,293</u>
Revenues over (under) expenditures	<u>449,477</u>	<u>732,551</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds from borrowing	655,000	166,500
Proceeds from refunded debt	-	-
Payment to refunded debt escrow agent	-	-
Operating transfers - in (out):		
To Water and Wastewater Fund	(602,400)	(602,400)
To Downtown Facade Improvement	-	(10,000)
To East 11th Street	-	7,782
To US 321 Business Sidewalk	(18,100)	-
To West 1st Street	<u>(1,108)</u>	<u>-</u>
Total other financing sources (uses)	<u>33,392</u>	<u>(438,118)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	482,870	294,434
Fund balances, July 1	3,088,248	2,800,974
Increase (decrease) in reserve for inventory	<u>2,389</u>	<u>(7,160)</u>
Fund balances, June 30	<u><u>\$ 3,573,507</u></u>	<u><u>\$ 3,088,248</u></u>

**General Fund**  
**Comparative Statements of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance</b>	<b>2000</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ 3,347,200	\$ 3,429,275	\$ 82,075	\$ 3,349,761
Prior years	54,250	71,843	17,593	72,343
Interest and penalties	6,750	16,173	9,423	16,269
Tax refunds	<u>(1,000)</u>	<u>(5,877)</u>	<u>(4,877)</u>	<u>(791)</u>
Total	<u>3,407,200</u>	<u>3,511,413</u>	<u>104,213</u>	<u>3,437,581</u>
Other taxes and licenses:				
Local option sales tax	2,033,500	2,064,249	30,749	2,009,034
Intangibles tax reimbursement	130,400	116,582	(13,818)	129,734
Rural fire district tax	<u>112,750</u>	<u>129,864</u>	<u>17,114</u>	<u>96,334</u>
Total	<u>2,276,650</u>	<u>2,310,695</u>	<u>34,045</u>	<u>2,235,101</u>
Unrestricted intergovernmental revenues:				
Payments in lieu of taxes	197,400	197,400	-	190,950
Utility franchise tax	734,500	755,200	20,700	716,567
Beer and wine tax	53,050	53,940	890	52,771
Senior citizens exemption - 50%	5,450	5,469	19	5,469
Inventory tax reimbursement	375,000	367,911	(7,090)	371,476
Food stamp reimbursement	2,000	4,085	2,085	4,066
Other	<u>63,200</u>	<u>51,136</u>	<u>(12,064)</u>	<u>42,903</u>
Total	<u>1,430,600</u>	<u>1,435,140</u>	<u>4,540</u>	<u>1,384,201</u>
Restricted intergovernmental revenues:				
Federal asset seizure allocation	5,000	6,554	1,554	30,093
Investment earnings on federal				
asset seizure allocation	50	485	435	1,016
Other	35,000	35,000	-	-
Powell Bill State street aid allocation	425,200	443,775	18,575	424,687
Investment earnings on Powell Bill allocation	10,000	26,964	16,964	19,494
Street assessments on Powell Bill	<u>2,900</u>	<u>2,680</u>	<u>(220)</u>	<u>-</u>
Total	<u>478,150</u>	<u>515,458</u>	<u>37,308</u>	<u>475,290</u>

cont.

**General Fund**  
**Comparative Statements of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

	2001		Variance	2000
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues (continued):				
Permits and fees:				
Animal license	\$ 200	\$ 148	\$ (53)	\$ 200
Privilege and peddler's license	200	375	175	455
Local franchise - cable t.v.	<u>67,600</u>	<u>79,799</u>	<u>12,199</u>	<u>66,260</u>
Total	<u>68,000</u>	<u>80,322</u>	<u>12,322</u>	<u>66,915</u>
Sales and services:				
Supportive court services	5,150	5,892	742	6,921
Refuse collection fees	345,900	356,234	10,334	357,403
Recreation fees and concessions	74,550	92,942	18,392	74,454
Other	<u>33,100</u>	<u>42,981</u>	<u>9,881</u>	<u>41,290</u>
Total	<u>458,700</u>	<u>498,049</u>	<u>39,349</u>	<u>480,068</u>
Investment earnings	<u>118,200</u>	<u>207,878</u>	<u>89,678</u>	<u>167,770</u>
Miscellaneous:				
Rentals and sale of property	49,650	60,512	10,862	61,501
Other	<u>122,000</u>	<u>82,989</u>	<u>(39,011)</u>	<u>155,415</u>
Total	<u>171,650</u>	<u>143,501</u>	<u>(28,149)</u>	<u>216,917</u>
Total revenues	<u>8,409,150</u>	<u>8,702,457</u>	<u>293,307</u>	<u>8,463,844</u>

cont.

**General Fund**  
**Comparative Statements of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Expenditures:</b>				
Current:				
General government:				
Governing body				
Salaries and employee benefits	\$ 33,650	\$ 33,462	\$ 188	\$ 27,379
Other operating expenditures	28,150	20,022	8,128	30,785
Interdepartmental charges	<u>(10,950)</u>	<u>(10,950)</u>	<u>-</u>	<u>(10,300)</u>
	<u>50,850</u>	<u>42,534</u>	<u>8,316</u>	<u>47,865</u>
Administrative				
Salaries and employee benefits	242,100	244,347	(2,247)	235,453
Other operating expenditures	87,750	77,440	10,310	80,880
Capital Outlay	650	-	650	-
Interdepartmental charges	<u>(33,700)</u>	<u>(33,700)</u>	<u>-</u>	<u>(32,150)</u>
	<u>296,800</u>	<u>288,086</u>	<u>8,714</u>	<u>284,183</u>
Finance				
Salaries and employee benefits	371,000	357,648	13,352	314,025
Other operating expenditures	191,150	176,189	14,961	162,088
Capital Outlay	8,400	-	8,400	8,794
Interdepartmental charges	<u>(225,950)</u>	<u>(225,950)</u>	<u>-</u>	<u>(201,150)</u>
	<u>344,600</u>	<u>307,887</u>	<u>36,714</u>	<u>283,756</u>
Purchasing/Warehouse				
Salaries and employee benefits	79,400	79,004	396	72,679
Other operating expenditures	11,850	12,271	(421)	7,342
Capital Outlay	3,650	-	3,650	1,868
Interdepartmental charges	<u>(40,500)</u>	<u>(40,500)</u>	<u>-</u>	<u>(71,450)</u>
	<u>54,400</u>	<u>50,775</u>	<u>3,625</u>	<u>10,438</u>
Technology/MIS				
Other operating expenditures	109,800	133,220	(23,420)	111,475
Capital Outlay	51,000	-	51,000	62,509
Interdepartmental charges	<u>(77,000)</u>	<u>(77,000)</u>	<u>-</u>	<u>(146,300)</u>
	<u>83,800</u>	<u>56,220</u>	<u>27,580</u>	<u>27,683</u>

cont.

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit B-3**

**Page 4 of 8**

**General Fund  
Comparative Statements of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2001  
(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Expenditures (continued):</b>				
Personnel				
Salaries and employee benefits	\$ 114,400	\$ 113,593	\$ 807	\$ 108,894
Other operating expenditures	104,750	99,295	5,455	141,323
Capital Outlay	-	-	-	2,104
Interdepartmental charges	<u>(28,750)</u>	<u>(28,750)</u>	<u>-</u>	<u>(31,750)</u>
	<u>190,400</u>	<u>184,138</u>	<u>6,262</u>	<u>220,571</u>
Planning and code enforcement				
Salaries and employee benefits	240,300	236,597	3,703	214,998
Other operating expenditures	195,200	123,645	71,555	75,749
Capital Outlay	26,000	-	26,000	9,746
Interdepartmental charges	<u>(23,550)</u>	<u>(23,550)</u>	<u>-</u>	<u>(16,550)</u>
	<u>437,950</u>	<u>336,691</u>	<u>101,259</u>	<u>283,943</u>
Municipal building				
Salaries and employee benefits	64,550	63,146	1,404	54,505
Other operating expenditures	57,500	52,963	4,537	54,343
Capital Outlay	<u>12,750</u>	<u>12,653</u>	<u>97</u>	<u>28,002</u>
	<u>134,800</u>	<u>128,762</u>	<u>6,038</u>	<u>136,850</u>
Public works administration				
Salaries and employee benefits	169,400	167,701	1,699	137,162
Other operating expenditures	59,700	58,736	964	49,748
Capital Outlay	-	-	-	59,617
Interdepartmental charges	<u>(90,550)</u>	<u>(90,550)</u>	<u>-</u>	<u>(86,300)</u>
	<u>138,550</u>	<u>135,887</u>	<u>2,663</u>	<u>160,227</u>
Garage				
Salaries and employee benefits	115,950	110,484	5,466	117,351
Other operating expenditures	43,250	52,220	(8,970)	35,194
Capital Outlay	9,450	-	9,450	700
Interdepartmental charges	<u>(16,600)</u>	<u>(16,600)</u>	<u>-</u>	<u>(17,050)</u>
	<u>152,050</u>	<u>146,105</u>	<u>5,945</u>	<u>136,194</u>

cont.

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit B-3****Page 5 of 8**

**General Fund**  
**Comparative Statements of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

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	<b>2001</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Expenditures (continued):</b>				
Downtown public parking				
Other operating expenditures	<u>\$ 11,550</u>	<u>\$ 10,154</u>	<u>\$ 1,396</u>	<u>\$ 11,396</u>
	<u>11,550</u>	<u>10,154</u>	<u>1,396</u>	<u>11,396</u>
 Total general government	 <u>1,895,750</u>	 <u>1,687,240</u>	 <u>208,510</u>	 <u>1,603,108</u>
 Public safety:				
Police				
Salaries and employee benefits	1,916,900	1,885,382	31,518	1,811,501
Other operating expenditures	341,050	398,670	(57,620)	275,714
Capital Outlay	296,150	208,488	87,662	177,453
Interdepartmental charges	(950)	(950)	-	(900)
Fire				
Salaries and employee benefits	558,350	555,773	2,577	528,318
Other operating expenditures	120,200	102,289	17,911	91,965
Capital Outlay	4,450	-	4,450	14,973
Interdepartmental charges	(16,700)	(16,700)	-	(8,050)
County fire district				
Salaries and employee benefits	6,500	6,466	34	6,651
Other operating expenditures	63,300	81,828	(18,528)	60,466
Capital Outlay	<u>360,250</u>	<u>340,809</u>	<u>19,441</u>	<u>57,817</u>
 Total public safety	 <u>3,649,500</u>	 <u>3,562,055</u>	 <u>87,445</u>	 <u>3,015,908</u>

cont.



**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit B-3**

**Page 6 of 8**

**General Fund  
Comparative Statements of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2001  
(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Expenditures (continued):</b>				
Transportation:				
Streets				
Salaries and employee benefits	\$ 106,300	\$ 106,141	\$ 159	\$ 107,772
Other operating expenditures	167,900	136,454	31,446	164,495
Capital Outlay	-	-	-	119,646
Powell Bill assistance				
Salaries and employee benefits	229,000	211,594	17,406	223,047
Other operating expenditures	180,550	53,977	126,573	201,804
Capital Outlay	<u>339,800</u>	<u>151,974</u>	<u>187,826</u>	<u>26,325</u>
Total transportation	<u>1,023,550</u>	<u>660,139</u>	<u>363,411</u>	<u>843,089</u>
Environmental protection:				
Sanitation				
Salaries and employee benefits	432,250	428,140	4,110	398,595
Other operating expenditures	346,850	349,967	(3,117)	532,303
Capital Outlay	<u>123,150</u>	<u>118,309</u>	<u>4,841</u>	<u>27,279</u>
Total enviromental protection	<u>902,250</u>	<u>896,416</u>	<u>5,834</u>	<u>958,177</u>
Cultural and recreational:				
Recreation				
Salaries and employee benefits	423,350	420,242	3,108	389,897
Other operating expenditures	146,650	138,015	8,635	105,843
Capital Outlay	21,500	10,576	10,924	1,136
East Newton recreation				
Salaries and employee benefits	18,550	18,056	494	15,319
Other operating expenditures	46,350	43,461	2,889	35,670
Capital Outlay	1,050	-	1,050	36,702
Swimming pool				
Salaries and employee benefits	34,350	15,059	19,291	17,394
Other operating expenditures	19,850	16,875	2,975	12,955
Capital Outlay	-	-	-	9,846

cont.

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit B-3****Page 7 of 8**

**General Fund**  
**Comparative Statements of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

---

	<b>2001</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Expenditures (continued):</b>				
Parks				
Salaries and employee benefits	\$ 22,550	\$ 13,787	\$ 8,763	\$ 13,026
Other operating expenditures	51,200	45,352	5,848	47,187
Capital Outlay	55,500	44,380	11,120	3,393
Community appearance				
Salaries and employee benefits	120,200	119,816	384	99,275
Other operating expenditures	17,600	14,924	2,676	13,383
Capital Outlay	8,500	8,474	26	-
Special appropriations				
Other operating expenditures	346,450	269,240	77,210	229,013
Indepartmental charges	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>	<u>(156,100)</u>
Total cultural and recreational	<u>1,138,650</u>	<u>983,259</u>	<u>155,391</u>	<u>873,938</u>
Debt service:				
Principal retirement	447,950	387,848	60,102	352,907
Interest and fees	<u>20,000</u>	<u>76,024</u>	<u>(56,024)</u>	<u>84,165</u>
Total debt service	<u>467,950</u>	<u>463,871</u>	<u>4,079</u>	<u>437,072</u>
Total expenditures	<u>9,077,650</u>	<u>8,252,981</u>	<u>824,670</u>	<u>7,731,293</u>
Revenues over (under)				
expenditures	<u>(668,500)</u>	<u>449,477</u>	<u>1,117,978</u>	<u>732,551</u>

cont.

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit B-3, cont.**

**Page 8 of 8**

**General Fund  
Comparative Statements of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2001  
(With Comparative Actual Amounts For the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
	<b>Budget</b>	<b>Actual</b>		
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance				
- General Fund	\$ 307,650	\$ -	\$ (307,650)	\$ -
- Powell Bill	295,500	-	(295,500)	-
- Federal Asset Seizure	32,000	-	(32,000)	-
Proceeds from borrowing	655,000	655,000	-	166,500
Operating transfers - in (out):				
To Water and Wastewater Fund	(602,400)	(602,400)	-	(602,400)
To Capital Project Funds:				
Downtown Facade Improvement	-	-	-	(10,000)
East 11th Street	-	-	-	7,782
US 321 Business Sidewalk	(18,100)	(18,100)	-	-
West 1st Street	<u>(1,150)</u>	<u>(1,108)</u>	<u>42</u>	<u>-</u>
Total other financing sources (uses)	<u>668,500</u>	<u>33,392</u>	<u>(635,108)</u>	<u>(438,118)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	482,870	<u>\$ 482,870</u>	294,434
Fund balances, July 1		3,088,248		2,800,974
Increase (decrease) in reserve for inventory		<u>2,389</u>		<u>(7,160)</u>
Fund balances, June 30		<u>\$ 3,573,507</u>		<u>\$ 3,088,248</u>



## **SPECIAL REVENUE FUNDS**

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**Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purpose.**

***Rowe Subdivision Infrastructure Project* - This fund is used to account for federal grant money received from the Housing and Urban Development for Community Development Block Grants under the Small Cities Program for water and wastewater transmission lines to serve low and moderate income neighborhoods.**

***Image Industries/Economic Development Project* - This fund is used to account for the Federal grant monies received from the Housing and Urban Development for Community Development Block Grants under the Small Cities Program for economic development to create low and moderate income jobs by existing and/or new industry.**

***Prodelin Corporation Economic Development Project* - This Fund is used to account for the Federal grant monies received from the Housing and Urban Development for Community Development Block Grants under the Small Cities Program for economic development to create low and moderate income jobs by existing and/or new industry.**

***2000 City of Newton Urgent Repair Project* - This fund is used to account for State grant monies received from N.C. Housing Financial Agency for single family urgent need repairs.**

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CITY OF NEWTON, NORTH CAROLINA

Exhibit C-1

Special Revenue Funds  
Combining Balance Sheet  
June 30, 2001

(With Comparative Totals for the Year Ended June 30, 2000)

	Rowe Subdivision Infrastructure Project	Image Industries/ Economic Development Project	Prodelin Corporation Economic Development Project	2000 City of Newton Urgent Repair Project	Totals	
					2001	2000
<b>Assets</b>						
Cash and investments	\$ 89,486	\$ 275	\$ 25,651	\$ 37,500	\$ 152,913	\$ 128,217
Total assets	<u>\$ 89,486</u>	<u>\$ 275</u>	<u>\$ 25,651</u>	<u>\$ 37,500</u>	<u>\$ 152,913</u>	<u>\$ 128,217</u>
<b>Liabilities and Fund Equity</b>						
Accounts payable	\$ 87,630	\$ -	\$ 3,500	\$ -	\$ 91,129	\$ 56,270
Fund balances:						
Unreserved - undesignated	<u>1,857</u>	<u>275</u>	<u>22,151</u>	<u>37,500</u>	<u>61,783</u>	<u>71,948</u>
Total liabilities and fund equity	<u>\$ 89,486</u>	<u>\$ 275</u>	<u>\$ 25,651</u>	<u>\$ 37,500</u>	<u>\$ 152,913</u>	<u>\$ 128,217</u>

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit C-2**

**Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2001  
(With Comparative Totals for the Year Ended June 30, 2000)**

	<b>Rowe Subdivision Infrastructure Project</b>	<b>Image Industries/ Economic Development Project</b>	<b>Prodelin Corporation Economic Development Project</b>	<b>2000 City of Newton Urgent Repair Project</b>	<b>Totals</b>	
					<b>2001</b>	<b>2000</b>
<b>Revenues:</b>						
Grant	\$ 307,656	\$ 1,987	\$ 7,236	\$ 37,500	\$ 354,379	\$ 245,394
Electric rebates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>307,656</u>	<u>1,987</u>	<u>7,236</u>	<u>37,500</u>	<u>354,379</u>	<u>245,394</u>
<b>Expenditures:</b>						
Capital outlay	356,228	190	17,879	-	374,297	421,048
Administration: WPCOG	<u>19,840</u>	<u>3,200</u>	<u>10,206</u>	<u>-</u>	<u>33,246</u>	<u>36,898</u>
Total expenditures	<u>376,068</u>	<u>3,390</u>	<u>28,085</u>	<u>-</u>	<u>407,543</u>	<u>457,946</u>
Excess of revenues over (under) expenditures	(68,412)	(1,403)	(20,849)	37,500	(53,164)	(212,552)
Other financing sources (uses) - operating transfers in - Water and Wastewater Fund	-	-	43,000	-	43,000	264,300
Fund balances, July 1	<u>70,270</u>	<u>1,678</u>	<u>-</u>	<u>-</u>	<u>71,948</u>	<u>20,200</u>
Fund balances, June 30	<u><u>\$ 1,857</u></u>	<u><u>\$ 275</u></u>	<u><u>\$ 22,151</u></u>	<u><u>\$ 37,500</u></u>	<u><u>\$ 61,783</u></u>	<u><u>\$ 71,948</u></u>

Special Revenue Funds  
Rowe Subdivision Infrastructure Project  
Comparative Balance Sheets  
June 30, 2001 and 2000

<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ 89,486</u>	<u>\$ 126,540</u>
Total assets	<u><u>\$ 89,486</u></u>	<u><u>\$ 126,540</u></u>
<b><u>Liabilities and Fund Equity</u></b>		
Accounts payable	\$ 87,630	\$ 56,270
Fund balance:		
Unreserved - undesignated	<u>1,857</u>	<u>70,270</u>
Total liabilities and fund equity	<u><u>\$ 89,486</u></u>	<u><u>\$ 126,540</u></u>



**Special Revenue Funds**  
**Rowe Subdivision Infrastructure Project**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2001**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Grant	<u>\$ 532,000</u>	<u>\$ 186,826</u>	<u>\$ 307,656</u>	<u>\$ 494,482</u>
Total revenues	<u>532,000</u>	<u>186,826</u>	<u>307,656</u>	<u>494,482</u>
<b>Expenditures:</b>				
Capital outlay:				
Sanitary sewer	689,700	348,773	321,115	669,888
Water lines	52,600	-	35,113	35,113
Administration:				
WPCOG	<u>54,000</u>	<u>32,083</u>	<u>19,840</u>	<u>51,923</u>
Total expenditures	<u>796,300</u>	<u>380,856</u>	<u>376,069</u>	<u>756,925</u>
Excess of revenues over (under) expenditures	(264,300)	(194,030)	(68,413)	(262,443)
Other financing sources (uses) - operating transfers in - Water and Wastewater Fund	<u>264,300</u>	<u>264,300</u>	<u>-</u>	<u>264,300</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 70,270</u>	(68,413)	<u>\$ 1,857</u>
Fund balance, July 1			<u>70,270</u>	
Fund balance, June 30			<u>\$ 1,857</u>	

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit C-5****Special Revenue Funds  
Image Industries/Economic Development Project  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ 275</u>	<u>\$ 1,678</u>
Total assets	<u><u>\$ 275</u></u>	<u><u>\$ 1,678</u></u>
<b><u>Liabilities and Fund Equity</u></b>		
Accounts payable	\$ -	\$ -
Fund balance:		
Unreserved - undesignated	<u>275</u>	<u>1,678</u>
Total liabilities and fund equity	<u><u>\$ 275</u></u>	<u><u>\$ 1,678</u></u>

**Special Revenue Funds**  
**Image Industries/Economic Development Project**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2001**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Grant	<u>\$ 60,550</u>	<u>\$ 58,568</u>	<u>\$ 1,987</u>	<u>\$ 60,555</u>
Total revenues	<u>60,550</u>	<u>58,568</u>	<u>1,987</u>	<u>60,555</u>
<b>Expenditures:</b>				
Capital outlay:				
Sanitary sewer	61,750	61,740	-	61,740
Water lines	11,000	10,535	190	10,725
Administration:				
WPCOG	<u>8,000</u>	<u>4,815</u>	<u>3,200</u>	<u>8,015</u>
Total expenditures	<u>80,750</u>	<u>77,090</u>	<u>3,390</u>	<u>80,480</u>
Excess of revenues over (under) expenditures	(20,200)	(18,522)	(1,403)	(19,925)
Other financing sources (uses) - operating transfers in - Water and Wastewater Fund	<u>20,200</u>	<u>20,200</u>	<u>-</u>	<u>20,200</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,678</u>	(1,403)	<u>\$ 275</u>
Fund balance, July 1			<u>1,678</u>	
Fund balance, June 30			<u>\$ 275</u>	

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit C-7**

**Special Revenue Funds  
Prodelin Corporation Economic Development Project  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ 25,651</u>	<u>\$ -</u>
Total assets	<u><u>\$ 25,651</u></u>	<u><u>\$ -</u></u>
<b><u>Liabilities and Fund Equity</u></b>		
Accounts payable	\$ 3,500	\$ -
Fund balance:		
Unreserved - undesignated	<u>22,151</u>	<u>-</u>
Total liabilities and fund equity	<u><u>\$ 25,651</u></u>	<u><u>\$ -</u></u>

**Special Revenue Funds**  
**Prodelin Corporation Economic Development Project**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2001**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Grant	<u>\$ 129,000</u>	<u>\$ -</u>	<u>\$ 7,236</u>	<u>\$ 7,236</u>
Total revenues	<u>129,000</u>	<u>-</u>	<u>7,236</u>	<u>7,236</u>
<b>Expenditures:</b>				
Capital outlay:				
Roads and paving	21,350	-	50	50
Sanitary sewer	99,700	-	17,429	17,429
Water lines	30,850	-	400	400
Administration:				
WPCOG	<u>20,100</u>	<u>-</u>	<u>10,206</u>	<u>10,206</u>
Total expenditures	<u>172,000</u>	<u>-</u>	<u>28,085</u>	<u>28,085</u>
Excess of revenues over (under) expenditures	(43,000)	-	(20,849)	(20,849)
Other financing sources (uses) - operating transfers in - Water and Wastewater Fund	<u>43,000</u>	<u>-</u>	<u>43,000</u>	<u>43,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	22,151	<u>\$ 22,151</u>
Fund balance, July 1			<u>-</u>	
Fund balance, June 30			<u>\$ 22,151</u>	

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit C-9****Special Revenue Funds  
2000 City of Newton Urgent Repair Project  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ 37,500</u>	<u>\$ -</u>
Total assets	<u><u>\$ 37,500</u></u>	<u><u>\$ -</u></u>
<b><u>Liabilities and Fund Equity</u></b>		
Accounts payable	\$ -	\$ -
Fund balance:		
Unreserved - undesignated	<u>37,500</u>	<u>-</u>
Total liabilities and fund equity	<u><u>\$ 37,500</u></u>	<u><u>\$ -</u></u>

**Special Revenue Funds**  
**2000 City of Newton Urgent Repair Project**  
**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and for the Year Ended June 30, 2001**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Grant	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>
Total revenues	<u>75,000</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>
<b>Expenditures:</b>				
Capital outlay:				
Rehabilitation	65,100	-	-	-
Administration:				
WPCOG	<u>9,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u><u>\$ -</u></u>	-	37,500	<u><u>\$ 37,500</u></u>
Fund balance, July 1			<u>-</u>	
Fund balance, June 30			<u><u>\$ 37,500</u></u>	





## CAPITAL PROJECTS FUNDS

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**Capital Projects Funds** account for funds to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

*Downtown Facade Improvement Capital Project Fund* - This fund is used to account for improvements in the downtown area.

*US 321 Business Sidewalk Capital Project Fund* - This fund is used to account for construction of sidewalks along US 321 Business.

*West 1<sup>st</sup> Street Capital Project Fund* - This fund is used to account for the construction of new roads, curbs, guttering and sidewalks along West 1<sup>st</sup> Street.

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## CITY OF NEWTON, NORTH CAROLINA

Exhibit D-1

Capital Projects Funds  
Combining Balance Sheet  
June 30, 2001

(With Comparative Totals at June 30, 2000)

	Downtown Facade Improvement Capital Project Fund	US 321 Business Sidewalk Capital Project Fund	West 1st Street Capital Project Fund	Totals	
<b>Assets</b>				<b>2001</b>	<b>2000</b>
Cash and investments	\$ 8,348	\$ 18,100	\$ -	\$ 26,448	\$ 9,945
Total assets	<u>\$ 8,348</u>	<u>\$ 18,100</u>	<u>\$ -</u>	<u>\$ 26,448</u>	<u>\$ 9,945</u>
<b>Liabilities and Fund Equity</b>					
Accounts payable	\$ 3,000	\$ -	\$ -	\$ 3,000	\$ -
Fund balance:					
Unreserved - undesignated	<u>5,348</u>	<u>18,100</u>	<u>-</u>	<u>23,448</u>	<u>9,945</u>
Total liabilities and fund equity	<u>\$ 8,348</u>	<u>\$ 18,100</u>	<u>\$ -</u>	<u>\$ 26,448</u>	<u>\$ 9,945</u>

**Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and Changes**  
**In Fund Balances**  
**For the Year Ended June 30, 2001**  
**(With Comparative Totals for the Year Ended June 30, 2000)**

	<b>Downtown Facade Improvement Capital Project Fund</b>	<b>US 321 Business Sidewalk Capital Project Fund</b>	<b>West 1st Street Capital Project Fund</b>	<b>Totals</b>	
				<b>2001</b>	<b>2000</b>
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>					
Grant to property owner	5,505	-	-	5,505	-
Construction	-	-	200	200	124,800
Total expenditures	5,505	-	200	5,705	124,800
Excess of revenues over (under) expenditures	(5,505)	-	(200)	(5,705)	(124,800)
Other financing sources (uses):					
Operating transfers in (out):					
General Fund	-	18,100	1,108	19,208	2,218
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,505)	18,100	908	13,503	(122,582)
Fund balances, July 1	10,853	-	(908)	9,945	132,527
Fund balances, June 30	\$ 5,348	\$ 18,100	\$ -	\$ 23,448	\$ 9,945

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit D-3****Downtown Facade Improvement Capital Project Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ 8,348</u>	<u>\$ 10,853</u>
<b><u>Liabilities and Fund Equity</u></b>		
Liabilities	\$ 3,000	\$ -
Fund balance:		
Unreserved - undesignated	<u>5,348</u>	<u>10,853</u>
Total liabilities and fund equity	<u>\$ 8,348</u>	<u>\$ 10,853</u>

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit D-4**

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**Downtown Facade Improvement Capital Project Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2001**

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	<b><u>Project Authorization</u></b>	<b><u>Prior Years</u></b>	<b><u>Current Year</u></b>	<b><u>Total to Date</u></b>
<b>Revenues:</b>				
Restricted contributions	<u>\$ 9,800</u>	<u>\$ 9,800</u>	<u>\$ -</u>	<u>\$ 9,800</u>
<b>Expenditures:</b>				
Professional services	1,000	1,000	-	1,000
Grant to property owners	<u>38,800</u>	<u>27,947</u>	<u>5,505</u>	<u>33,452</u>
Total expenditures	<u>39,800</u>	<u>28,947</u>	<u>5,505</u>	<u>34,452</u>
Excess of revenues over (under) expenditures	(30,000)	(19,147)	(5,505)	(24,652)
Other financing sources (uses) - operating transfers in - General Fund	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 10,853</u>	(5,505)	<u>\$ 5,348</u>
Fund balance, July 1			<u>10,853</u>	
Fund balance, June 30			<u>\$ 5,348</u>	

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit D-5****US 321 Business Sidewalk Capital Project Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ 18,100</u>	<u>\$ -</u>
<b><u>Liabilities and Fund Equity</u></b>		
Accounts payable	\$ -	\$ -
Fund balance:		
Unreserved - undesignated	<u>18,100</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 18,100</u>	<u>\$ -</u>

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit D-6**

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**US 321 Business Sidewalk Capital Project Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2001**

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues</b>	<u>\$ 68,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Construction	<u>86,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>86,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	(18,100)	-	-	-
Other financing sources (uses) - operating transfers in - General Fund	<u>18,100</u>	<u>-</u>	<u>18,100</u>	<u>18,100</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	18,100	<u>\$ 18,100</u>
Fund balance, July 1			<u>-</u>	
Fund balance, June 30			<u>\$ 18,100</u>	

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit D-7****West 1<sup>st</sup> Street Capital Project Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and investments	<u>\$ -</u>	<u>\$ (908)</u>
<b><u>Liabilities and Fund Equity</u></b>		
Accounts payable	\$ -	\$ -
Fund balance:		
Unreserved - undesignated	<u>-</u>	<u>(908)</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ (908)</u>

Project complete at June 30, 2001.



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**CITY OF NEWTON, NORTH CAROLINA****Exhibit D-8**

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**West 1<sup>st</sup> Street Capital Project Fund  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
From Inception and for the Year Ended June 30, 2001**

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Construction	<u>140,000</u>	<u>140,908</u>	<u>200</u>	<u>141,108</u>
Total expenditures	<u>140,000</u>	<u>140,908</u>	<u>200</u>	<u>141,108</u>
Excess of revenues over (under) expenditures	(140,000)	(140,908)	(200)	(141,108)
Other financing sources (uses):				
Operating transfers in:				
General Fund	<u>140,000</u>	<u>140,000</u>	<u>1,108</u>	<u>141,108</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (908)</u>	908	<u>\$ -</u>
Fund balance, July 1			<u>(908)</u>	
Fund balance, June 30			<u>\$ -</u>	



## ENTERPRISE FUNDS

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Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the government's governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's governing body has decided that periodic determination of net income is appropriate for accountability purposes.

*Water and Wastewater Fund* - This fund is used to account for the activities associated with the production, distribution and transmission of potable water by the City to its users and for the operation and maintenance of the City's sewer and surface drainage systems.

*Electric Fund* - This fund is used to account for the activities associated with the distribution and transmission of electricity by the City to its users.

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**Enterprise Funds**  
**Combining Balance Sheet**  
**June 30, 2001**

(With Comparative Totals at June 30, 2000)

	Water and Wastewater Fund	Electric Fund	Totals	
<b>Assets</b>			<b>2001</b>	<b>2000</b>
Current assets:				
Cash and cash equivalents	\$ 1,784,517	\$ 2,702,772	\$ 4,487,288	\$ 3,902,980
Accounts receivable, net	400,212	664,271	1,064,483	1,227,132
Interest receivable	14,252	20,838	35,090	55,141
Due from other funds	-	402,368	402,368	402,368
Inventories	136,671	367,317	503,988	421,592
Restricted cash and cash equivalents	<u>1,940,394</u>	<u>86,850</u>	<u>2,027,244</u>	<u>2,709,105</u>
Total current assets	<u>4,276,045</u>	<u>4,244,415</u>	<u>8,520,461</u>	<u>8,718,318</u>
Fixed assets:				
Land and improvements	213,109	5,000	218,109	251,323
Buildings and improvements	19,298,156	500,567	19,798,723	19,740,993
Distribution systems	16,055,812	7,619,244	23,675,056	21,096,382
Furniture and maintenance equipment	633,695	524,057	1,157,752	1,239,396
Vehicles	375,708	403,711	779,418	797,202
Construction in progress	370,364	86,515	456,878	2,807,861
Less accumulated depreciation	<u>(14,173,986)</u>	<u>(3,546,974)</u>	<u>(17,720,960)</u>	<u>(16,554,470)</u>
Fixed assets, net	<u>22,772,857</u>	<u>5,592,120</u>	<u>28,364,976</u>	<u>29,378,688</u>
Total assets	<u>\$ 27,048,902</u>	<u>\$ 9,836,535</u>	<u>\$ 36,885,437</u>	<u>\$ 38,097,006</u>
<b>Liabilities and Fund Equity</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 100,823	\$ 536,013	\$ 636,837	\$ 905,637
Due to other government	28,835	-	28,835	10,050
Customer deposits	49,969	107,688	157,657	153,695
Due to other funds	402,368	-	402,368	402,368
General obligation bonds payable - current	487,817	-	487,817	492,183
Discount on bond issuance - net	(3,875)	-	(3,875)	(4,232)
Deferred loss on refunding - net	(205,707)	-	(205,707)	(224,696)
Loans payable - current	90,558	-	90,558	88,772
Installment purchase payable - current	<u>279,272</u>	<u>370,485</u>	<u>649,757</u>	<u>588,310</u>
Total current liabilities	1,230,060	1,014,186	2,244,246	2,412,085
Noncurrent liabilities:				
General obligation bonds payable	4,110,611	-	4,110,611	4,598,428
Loans payable	415,659	-	415,659	506,217
Installment purchase payable	3,326,327	2,578,921	5,905,248	6,290,005
Accrued vacation pay	<u>58,913</u>	<u>29,716</u>	<u>88,629</u>	<u>94,406</u>
Total liabilities	<u>9,141,570</u>	<u>3,622,823</u>	<u>12,764,393</u>	<u>13,901,141</u>
Fund equity:				
Contributed capital	9,916,268	77,000	9,993,268	9,993,268
Retained earnings - unreserved	<u>7,991,065</u>	<u>6,136,712</u>	<u>14,127,777</u>	<u>14,202,596</u>
Total fund equity	<u>17,907,332</u>	<u>6,213,712</u>	<u>24,121,045</u>	<u>24,195,864</u>
Total liabilities and fund equity	<u>\$ 27,048,902</u>	<u>\$ 9,836,535</u>	<u>\$ 36,885,437</u>	<u>\$ 38,097,006</u>

**Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes**  
**In Retained Earnings**  
**For the Year Ended June 30, 2001**  
**(With Comparative Totals for the Year Ended June 30, 2000)**

	Water and Wastewater Fund	Electric Fund	Totals	
			2001	2000
<b>Operating Revenues:</b>				
Charges for services	\$ 3,699,583	\$ 7,521,142	\$ 11,220,725	\$ 10,908,936
Other operating revenues	<u>310,103</u>	<u>309,698</u>	<u>619,801</u>	<u>607,218</u>
Total operating revenues	<u>4,009,685</u>	<u>7,830,840</u>	<u>11,840,526</u>	<u>11,516,154</u>
<b>Operating Expenses:</b>				
Power for resale	-	5,614,761	5,614,761	6,277,808
Operations	2,135,687	1,241,987	3,377,674	3,152,239
Maintenance	684,244	-	684,244	685,675
Administration	290,950	469,250	760,200	778,050
Contingency	226,000	-	226,000	-
Depreciation	<u>1,285,287</u>	<u>380,294</u>	<u>1,665,581</u>	<u>1,135,065</u>
Total operating expenses	<u>4,622,168</u>	<u>7,706,293</u>	<u>12,328,461</u>	<u>12,028,836</u>
Operating income (loss)	<u>(612,483)</u>	<u>124,548</u>	<u>(487,935)</u>	<u>(512,683)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Sales tax	-	218,704	218,704	210,464
Investment earnings	201,244	186,971	388,215	495,516
Interest expense	(405,008)	(127,361)	(532,369)	(724,035)
Gain (loss) on disposal of fixed assets	<u>(146,151)</u>	<u>(74,684)</u>	<u>(220,835)</u>	<u>-</u>
Nonoperating revenues (expenses), net	<u>(349,915)</u>	<u>203,630</u>	<u>(146,284)</u>	<u>(18,057)</u>
Income (loss) before operating transfers	(962,397)	328,178	(634,219)	(530,739)
Transfers (to) other funds:				
General Fund	602,400	-	602,400	602,400
Special Revenue Fund	(43,000)	-	(43,000)	(264,300)
Capital Projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,914</u>
Net income (loss)	(402,997)	328,178	(74,819)	(180,725)
Retained earnings, July 1	<u>8,394,062</u>	<u>5,808,534</u>	<u>14,202,596</u>	<u>14,383,321</u>
Retained earnings, June 30	<u><u>\$ 7,991,065</u></u>	<u><u>\$ 6,136,712</u></u>	<u><u>\$ 14,127,777</u></u>	<u><u>\$ 14,202,596</u></u>

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit E-3**

**Page 1 of 2**

**Enterprise Funds  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2001  
(With Comparative Totals for the Year Ended June 30, 2000)**

	<b>Water and Wastewater Fund</b>	<b>Electric Fund</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Cash Flows From Operating Activities:</b>				
Operating income (loss)	\$ (612,483)	\$ 124,548	\$ (487,935)	\$ (512,683)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,285,287	380,294	1,665,581	1,135,065
Change in assets and liabilities:				
Accounts and interest receivable	72,709	109,991	182,700	(273,264)
Due to (from) other governmental agencies	18,785	-	18,785	(1,183)
Inventories	19,602	(101,998)	(82,396)	(78,377)
Accounts payable/accrued expenses	(95,387)	(173,412)	(268,799)	115,727
Customer deposits	7,022	(3,060)	3,962	(3,034)
Accrued vacation pay	<u>(8,818)</u>	<u>3,040</u>	<u>(5,778)</u>	<u>4,922</u>
Net cash provided by (used in) operating activities	<u>686,717</u>	<u>339,403</u>	<u>1,026,120</u>	<u>387,173</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Operating transfers - in (out)	<u>559,400</u>	<u>-</u>	<u>559,400</u>	<u>350,014</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(709,008)	(167,398)	(876,406)	(3,944,203)
Sales tax	-	218,704	218,704	210,464
Proceeds from disposal of fixed assets	-	3,702	3,702	-
(Increase) decrease in restricted cash	251,084	430,777	681,861	3,363,791
Payments of general obligation bonds, loans and installment purchase payable	(824,697)	(344,568)	(1,169,265)	(1,073,734)
Interest paid on general obligation bonds, loans and installment purchase payable	(385,662)	(127,361)	(513,023)	(704,690)
Proceeds from issuance of general obligation bonds, loans and installment purchases	<u>165,000</u>	<u>100,000</u>	<u>265,000</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,503,283)</u>	<u>113,856</u>	<u>(1,389,427)</u>	<u>(2,148,372)</u>

cont.

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E-3, cont.****Page 2 of 2**

**Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2001**  
**(With Comparative Totals for the Year Ended June 30, 2000)**

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	<b>Water and Wastewater Fund</b>	<b>Electric Fund</b>	<b>Totals</b>	
			<b>2001</b>	<b>2000</b>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	<u>\$ 201,244</u>	<u>\$ 186,971</u>	<u>\$ 388,215</u>	<u>\$ 495,515</u>
Net increase (decrease) in cash and cash equivalents	(55,922)	640,230	584,308	(915,670)
Cash and cash equivalents at beginning of year	<u>1,840,439</u>	<u>2,062,542</u>	<u>3,902,981</u>	<u>4,818,650</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,784,517</u></u>	<u><u>\$ 2,702,772</u></u>	<u><u>\$ 4,487,289</u></u>	<u><u>\$ 3,902,980</u></u>
<b>Supplemental Schedule of Non Cash Financing Activities:</b>				
Amortization of discount on refunded debt	<u>\$ 358</u>	<u>\$ -</u>	<u>\$ 358</u>	<u>\$ 358</u>
Amortization of loss on refunded debt	<u><u>\$ 18,988</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,988</u></u>	<u><u>\$ 18,988</u></u>

**Water and Wastewater Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

<b>Assets</b>	<b>2001</b>	<b>2000</b>
Current assets:		
Cash and cash equivalents	\$ 1,784,517	\$ 1,840,439
Accounts receivable, net	400,212	464,702
Interest receivable	14,252	22,471
Inventories	136,671	156,273
Restricted cash and cash equivalents	<u>1,940,394</u>	<u>2,191,478</u>
Total current assets	<u>4,276,045</u>	<u>4,675,363</u>
Fixed assets:		
Land and improvements	213,109	238,173
Buildings and improvements	19,298,156	19,240,426
Distribution system	16,055,812	15,370,669
Furniture and maintenance equipment	633,695	775,273
Vehicles	375,708	344,369
Construction in progress	370,364	827,343
Less accumulated depreciation	<u>(14,173,986)</u>	<u>(13,300,966)</u>
Fixed assets, net	<u>22,772,857</u>	<u>23,495,287</u>
Total assets	<u><u>\$ 27,048,902</u></u>	<u><u>\$ 28,170,650</u></u>
<b>Liabilities and Fund Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 100,823	\$ 196,212
Due to other government	28,835	10,050
Customer deposits	49,969	42,947
Due to other funds	402,368	402,368
General obligation bonds payable - current	487,817	492,183
Discount on bond issuance - net of accumulated amortization of \$745	(3,875)	(4,232)
Deferred loss on refunding - net of accumulated amortization of \$39,559	(205,707)	(224,696)
Loans payable - current	90,558	88,772
Installment purchase payable - current	<u>279,272</u>	<u>243,742</u>
Total current liabilities	1,230,060	1,247,346
Noncurrent liabilities:		
General obligation bonds payable	4,110,611	4,598,428
Loans payable	415,659	506,217
Installment purchase payable	3,326,327	3,440,599
Accrued vacation pay	<u>58,913</u>	<u>67,731</u>
Total liabilities	<u>9,141,570</u>	<u>9,860,320</u>
Fund equity:		
Contributed capital	9,916,268	9,916,268
Retained earnings - unreserved	<u>7,991,065</u>	<u>8,394,062</u>
Total fund equity	<u>17,907,332</u>	<u>18,310,330</u>
Total liabilities and fund equity	<u><u>\$ 27,048,902</u></u>	<u><u>\$ 28,170,650</u></u>



**Water and Wastewater Fund**  
**Schedule of Revenues, Expenditures and Supplemental Budget**  
**Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance</b>	<b>2000</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 3,578,550	\$ 3,699,583	\$ 121,033	\$ 3,621,708
Other	<u>246,250</u>	<u>310,103</u>	<u>63,853</u>	<u>381,230</u>
Total operating revenues	<u>3,824,800</u>	<u>4,009,685</u>	<u>184,885</u>	<u>4,002,938</u>
Nonoperating revenues:				
Interest earned	<u>69,950</u>	<u>201,244</u>	<u>131,294</u>	<u>234,667</u>
Total nonoperating revenues	<u>69,950</u>	<u>201,244</u>	<u>131,294</u>	<u>234,667</u>
Total revenues	<u>3,894,750</u>	<u>4,210,929</u>	<u>316,180</u>	<u>4,237,605</u>
<b>Expenditures:</b>				
Operations	2,164,700	2,144,505	20,195	2,122,018
Maintenance	678,400	684,244	(5,844)	685,675
Administration	290,950	290,950	-	300,000
Contingency	377,550	226,000	151,550	-
Budgetary appropriations:				
Appropriated fund balance	(658,150)	-	(658,150)	-
Proceeds from borrowing	(165,000)	(165,000)	-	-
Debt principal	659,700	824,697	(164,997)	805,858
Interest	550,750	405,008	145,742	513,447
Increase (decrease) in inventory	-	(19,602)	19,602	26,240
Capital outlay	<u>317,750</u>	<u>279,893</u>	<u>37,857</u>	<u>186,101</u>
Total expenditures	<u>4,216,650</u>	<u>4,670,695</u>	<u>(454,045)</u>	<u>4,639,339</u>
Excess of revenues over (under) expenditures	<u>(321,900)</u>	<u>(459,765)</u>	<u>(137,864)</u>	<u>(401,734)</u>

cont.

## CITY OF NEWTON, NORTH CAROLINA

Exhibit E-5, cont.

Page 2 of 2

**Water and Wastewater Fund**  
**Schedule of Revenues, Expenditures and Supplemental Budget**  
**Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2001**

**(With Comparative Actual Amounts for the Year Ended June 30, 2000)**

NOTE: This schedule is included to show budgetary compliance with the legally adopted budget.

	2001		Variance	2000
	Budget	Actual	Favorable (Unfavorable)	Actual
Other financing sources (uses):				
Transfer from (to) General Fund	\$ 602,400	\$ 602,400	\$ -	\$ 602,400
Transfer from (to) Special Revenue Fund	(43,000)	(43,000)	-	(264,300)
Transfer from (to) Water and Wastewater Capital Projects:				
Rowe Subdivision	-	-	-	600,000
St. James Church	-	-	-	(13,411)
Water and Wastewater	(37,500)	(37,500)	-	3,507
Startown Subdivision	-	89,506	89,506	(321,500)
Hwy 321/Hwy 10 Project	(200,000)	(200,000)	-	-
Sewer System Improvement	-	-	-	8,407
Total other financing sources (uses)	<u>321,900</u>	<u>411,406</u>	<u>89,506</u>	<u>615,104</u>
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	<u>\$ -</u>	(48,359)	<u>\$ (48,359)</u>	213,370
<b>Reconciliation of Modified to Full Accrual</b>				
<b>Basis - Add (deduct):</b>				
Cost of expenditures which were capitalized		279,893		186,101
Payment of debt principal		824,697		805,858
(Increase) decrease in accrued vacation pay		8,818		(46,019)
Increase (decrease) in inventory		(19,602)		26,240
Proceeds from borrowing		(165,000)		-
Depreciation		(1,285,287)		(870,201)
Gain (loss) on disposal of fixed assets		(146,151)		-
Transfer to Water and Wastewater Capital Projects		<u>147,994</u>		<u>(265,090)</u>
Income (loss) before operating transfers (Exhibit D-2)		<u>\$ (402,997)</u>		<u>\$ 50,259</u>

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit E-6**

**Water and Wastewater Fund  
Comparative Statements of Cash Flows  
For the Years Ended June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Cash Flows From Operating Activities:</b>		
Operating income (loss)	\$ (612,483)	\$ (20,975)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,285,287	870,201
Changes in assets and liabilities:		
Accounts and interest receivable	72,709	(106,487)
Due to (from) other funds	-	250,000
Due to (from) other governmental agencies	18,785	(1,183)
Inventories	19,602	(6,983)
Accounts payable and accrued expenses	(95,387)	45,146
Customer deposits	7,022	(104)
Accrued vacation pay	<u>(8,818)</u>	<u>2,971</u>
Net cash provided by (used in) operating activities	<u>686,717</u>	<u>1,032,586</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>		
Operating transfers - in (out)	<u>559,400</u>	<u>350,014</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of fixed assets	(709,008)	(1,214,233)
(Increase) decrease in restricted cash	251,084	990,136
Payments on general obligation bonds, loans and installment purchase payable	(824,697)	(805,858)
Interest paid on general obligation bonds, loans and installment purchase payable	(385,662)	(494,101)
Proceeds from issuance of general obligation bonds, loans and installment purchases	<u>165,000</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,503,283)</u>	<u>(1,524,056)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	<u>201,244</u>	<u>234,667</u>
Net increase (decrease) in cash and cash equivalents	(55,922)	93,211
Cash and cash equivalents at beginning of year	<u>1,840,439</u>	<u>1,747,228</u>
Cash and cash equivalents at end of year	<u>\$ 1,784,517</u>	<u>\$ 1,840,439</u>
<b>Supplemental Schedule of Non Cash Financing Activities:</b>		
Amortization of discount on refunded debt	<u>\$ 358</u>	<u>\$ 358</u>
Amortization of loss on refunded debt	<u>\$ 18,988</u>	<u>\$ 18,988</u>

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E-7**

**Water and Wastewater Fund Capital Projects**  
**Water and Wastewater Capital Projects**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2001**

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay - Eastern Ridge Subdivision	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>37,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	(37,500)	-	-	-
<b>Other Financing Sources (Uses):</b>				
Transfer from Water and Wastewater Fund	<u>37,500</u>	<u>-</u>	<u>37,500</u>	<u>37,500</u>
Unexpended revenues and receipts	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,500</u></u>	<u><u>\$ 37,500</u></u>

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E-8**

**Water and Wastewater Fund Capital Projects  
Startown Subdivision  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2001**

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	<b><u>Project Authorization</u></b>	<b><u>Prior Years</u></b>	<b><u>Current Year</u></b>	<b><u>Total to Date</u></b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay	<u>975,600</u>	<u>666,454</u>	<u>219,640</u>	<u>886,094</u>
Total expenditures	<u>975,600</u>	<u>666,454</u>	<u>219,640</u>	<u>886,094</u>
Excess of revenues over (under) expenditures	(975,600)	(666,454)	(219,640)	(886,094)
<b>Other Financing Sources (Uses):</b>				
Transfer from Water and Wastewater Fund	<u>975,600</u>	<u>975,600</u>	<u>(89,506)</u>	<u>886,094</u>
Unexpended revenues and receipts	<u><u>\$ -</u></u>	<u><u>\$ 309,146</u></u>	<u><u>\$ (309,146)</u></u>	<u><u>\$ -</u></u>

Project complete at June 30, 2001.

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E-9**

**Water and Wastewater Fund Capital Projects  
Hwy 321/Hwy 10 Project  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2001**

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Design and engineering	141,400	141,534	26,575	168,109
Capital outlay	<u>1,900,000</u>	<u>13,033</u>	<u>189,222</u>	<u>202,255</u>
Total expenditures	<u>2,041,400</u>	<u>154,566</u>	<u>215,797</u>	<u>370,364</u>
Excess of revenues over (under) expenditures	(2,041,400)	(154,566)	(215,797)	(370,364)
<b>Other Financing Sources (Uses):</b>				
Transfer from Water and Wastewater Fund	<u>2,041,400</u>	<u>1,841,400</u>	<u>200,000</u>	<u>2,041,400</u>
Unexpended revenues and receipts	<u><u>\$ -</u></u>	<u><u>\$ 1,686,834</u></u>	<u><u>\$ (15,797)</u></u>	<u><u>\$ 1,671,036</u></u>



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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E-10**

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**Electric Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Current assets:		
Cash and cash equivalents	\$ 2,702,772	\$ 2,062,541
Accounts receivable, net	664,271	762,430
Interest receivable	20,838	32,670
Due from other funds	402,368	402,368
Inventories	367,317	265,319
Restricted cash and cash equivalents	<u>86,850</u>	<u>517,627</u>
Total current assets	<u>4,244,415</u>	<u>4,042,955</u>
Fixed assets:		
Land and improvements	5,000	13,150
Buildings and improvements	500,567	500,567
Distribution system	7,619,244	5,725,713
Furniture and maintenance equipment	524,057	464,123
Vehicles	403,711	452,833
Construction-in-progress	86,515	1,980,519
Less accumulated depreciation	<u>(3,546,974)</u>	<u>(3,253,504)</u>
Fixed assets, net	<u>5,592,120</u>	<u>5,883,401</u>
Total assets	<u><u>\$ 9,836,535</u></u>	<u><u>\$ 9,926,356</u></u>
<b><u>Liabilities and Fund Equity</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 536,013	\$ 709,425
Customer deposits	107,688	110,748
Installment purchase payable - current	<u>370,485</u>	<u>344,568</u>
Total current liabilities	1,014,186	1,164,740
Noncurrent liabilities:		
Installment purchase payable	2,578,921	2,849,406
Accrued vacation pay	<u>29,716</u>	<u>26,676</u>
Total liabilities	<u>3,622,823</u>	<u>4,040,821</u>
Fund equity:		
Contributed capital	77,000	77,000
Retained earnings - unreserved	<u>6,136,712</u>	<u>5,808,534</u>
Total fund equity	<u>6,213,712</u>	<u>5,885,534</u>
Total liabilities and fund equity	<u><u>\$ 9,836,535</u></u>	<u><u>\$ 9,926,356</u></u>



## CITY OF NEWTON, NORTH CAROLINA

Exhibit E-11

Page 1 of 2

**Electric Fund**  
**Schedule of Revenues, Expenditures and Supplemental Budget**  
**Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2000)**

	<b>2001</b>		<b>Variance</b>	<b>2000</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Revenues:</b>				
Operating revenues:				
Charges for services	\$ 7,609,850	\$ 7,521,142	\$ (88,708)	\$ 7,287,228
Other	<u>241,900</u>	<u>309,698</u>	<u>67,798</u>	<u>225,988</u>
Total operating revenues	<u>7,851,750</u>	<u>7,830,840</u>	<u>(20,910)</u>	<u>7,513,216</u>
Nonoperating revenues:				
Interest earned	105,300	186,971	81,671	260,848
Sales tax	<u>229,950</u>	<u>218,704</u>	<u>(11,246)</u>	<u>210,464</u>
Total nonoperating revenues	<u>335,250</u>	<u>405,676</u>	<u>70,426</u>	<u>471,312</u>
Total revenues	<u>8,187,000</u>	<u>8,236,516</u>	<u>49,516</u>	<u>7,984,528</u>
<b>Expenditures:</b>				
Power for resale	5,905,950	5,614,761	291,189	6,277,808
Operations	1,242,900	1,238,946	3,954	982,251
Administration	469,250	469,250	-	478,050
Budgetary appropriations:				
Appropriated fund balance	(780,500)	-	(780,500)	-
Proceeds from borrowing	(100,000)	(100,000)	-	-
Debt principal	245,000	344,568	(99,568)	267,876
Interest	226,950	127,361	99,589	210,589
Capital outlay	328,700	8,813	319,887	80,262
Increase (decrease) in inventory	<u>-</u>	<u>101,998</u>	<u>(101,998)</u>	<u>71,393</u>
Total expenditures	<u>7,538,250</u>	<u>7,805,697</u>	<u>(267,447)</u>	<u>8,368,228</u>
Excess of revenues over (under) expenditures	<u>648,750</u>	<u>430,819</u>	<u>(217,932)</u>	<u>(383,700)</u>
Other financing sources (uses):				
Transfer from (to) Electric Capital Projects:				
Electric Capital Projects	(997,900)	(997,900)	-	48,000
West 1st Street	-	-	-	12,000
Electric Peak Generators	<u>349,150</u>	<u>349,206</u>	<u>56</u>	<u>(204,250)</u>
Total other financing sources (uses)	<u>(648,750)</u>	<u>(648,694)</u>	<u>56</u>	<u>(144,250)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>(217,876)</u>	<u>\$ (217,876)</u>	<u>(527,950)</u>

cont.

**Electric Fund**  
**Schedule of Revenues, Expenditures and Supplemental Budget**  
**Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2000)**

	2001		Variance	2000
	Budget	Actual	Favorable (Unfavorable)	Actual
Reconciliation of Modified Accrual to Full Accrual Basis - Add (Deduct):				
Cost of expenditures which were capitalized		\$ 8,813		\$ 80,262
Payment of debt principal		344,568		267,876
Decrease (increase) in accrued vacation		(3,041)		(1,951)
Increase (decrease) in inventory		101,998		71,393
Proceeds from borrowing		(100,000)		-
Depreciation		(380,294)		(264,864)
Gain (loss) on disposal of fixed assets		(74,684)		
Transfer to Electric Capital Projects		<u>648,694</u>		<u>144,250</u>
Income (loss) before operating transfers (Exhibit D-2)		<u>\$ 328,178</u>		<u>\$ (230,984)</u>

NOTE: This schedule is included to show budgetary compliance with the legally adopted budget.

**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit E-12**

**Electric Fund  
Comparative Statements of Cash Flows  
For the Years Ended June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Cash Flows From Operating Activities:</b>		
Operating income (loss)	\$ 124,548	\$ (491,708)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	380,294	264,864
Change in assets and liabilities:		
Accounts and interest receivable	109,991	(166,777)
Due to (from) other funds	-	(250,000)
Inventories	(101,998)	(71,394)
Accounts payable and accrued expenses	(173,412)	70,581
Customer deposits	(3,060)	(2,930)
Accrued vacation pay	<u>3,040</u>	<u>1,951</u>
Net cash provided by (used in) operating activities	<u>339,403</u>	<u>(645,413)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(167,398)	(2,729,970)
Sales tax	218,704	210,464
Proceeds from disposal of fixed assets	3,702	-
(Increase) decrease in restricted cash	430,777	2,373,655
Principal paid on installment purchases	(344,568)	(267,876)
Interest paid on installment purchases	(127,361)	(210,589)
Proceeds from issuance of installment purchases	<u>100,000</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>113,856</u>	<u>(624,316)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	<u>186,971</u>	<u>260,848</u>
Net increase (decrease) in cash and cash equivalents	640,230	(1,008,881)
Cash and cash equivalents at beginning of year	<u>2,062,542</u>	<u>3,071,422</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,702,772</u></u>	<u><u>\$ 2,062,541</u></u>

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit E-13**

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**Electric Fund Capital Projects**  
**Electric Capital Projects**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2001**

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	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay - Eastern Ridge Subdivision	55,000	-	-	-
Capital outlay - Olde St Paul/Winstead	332,900	-	70,944	70,944
Capital outlay - Prodelin	610,000	-	6,759	6,759
Capital outlay - Westlake Subdivision *	<u>30,000</u>	<u>19,582</u>	<u>8,626</u>	<u>28,207</u>
Total expenditures	<u>1,027,900</u>	<u>19,582</u>	<u>86,328</u>	<u>105,910</u>
Excess of revenues over (under) expenditures	(1,027,900)	(19,582)	(86,328)	(105,910)
<b>Other Financing Sources (Uses):</b>				
Transfer from Electric Fund	<u>1,027,900</u>	<u>30,000</u>	<u>997,900</u>	<u>1,027,900</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ 10,418</u>	<u>\$ 911,572</u>	<u>\$ 921,990</u>

\* Project complete at June 30, 2001.

**Electric Fund Capital Projects**  
**Electric Peak Shaving Generators**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2001**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay	<u>2,550,100</u>	<u>1,957,237</u>	<u>-</u>	<u>1,957,237</u>
Total expenditures	<u>2,550,100</u>	<u>1,957,237</u>	<u>-</u>	<u>1,957,237</u>
Excess of revenues over (under) expenditures	(2,550,100)	(1,957,237)	-	(1,957,237)
<b>Other Financing Sources (Uses):</b>				
Transfer from Electric Fund	<u>2,550,100</u>	<u>2,306,443</u>	<u>(349,206)</u>	<u>1,957,237</u>
Unexpended revenues and receipts	<u><u>\$ -</u></u>	<u><u>\$ 349,206</u></u>	<u><u>\$ (349,206)</u></u>	<u><u>\$ -</u></u>

Project complete at June 30, 2001.



## **INTERNAL SERVICE FUND**

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**Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.**

***Health Insurance Fund* - This fund is used to account for the payment of medical claims of the City's employees and their covered dependents.**

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit F-1**

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**Health Insurance Fund  
Comparative Balance Sheets  
June 30, 2001 and 2000**

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<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Cash and cash equivalents	\$ 286,638	\$ 255,710
Cash with administrative agent	77,108	71,946
Interest receivable	<u>2,222</u>	<u>3,604</u>
Total assets	<u><u>\$ 365,968</u></u>	<u><u>\$ 331,259</u></u>
<b><u>Liabilities and Fund Equity</u></b>		
Current liabilities - accounts and insurance claims payable	\$ 218,892	\$ 157,861
Fund equity - retained earnings	<u>147,076</u>	<u>173,398</u>
Total liabilities and fund equity	<u><u>\$ 365,968</u></u>	<u><u>\$ 331,259</u></u>



**Health Insurance Fund**  
**Statement of Revenues and Expenses - Budget and Actual**  
**For the Year Ended June 30, 2001**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2000)**

NOTE: This schedule is included to show budgetary compliance with the legally adopted budget.

	<b>2001</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>2000 Actual</b>
<b>Operating Revenues:</b>				
Contributions	\$ 788,350	\$ 774,129	\$ (14,221)	\$ 687,705
Total operating revenues	<u>788,350</u>	<u>774,129</u>	<u>(14,221)</u>	<u>687,705</u>
<b>Operating Expenses - Group Insurance:</b>				
Claims paid	582,350	573,067	9,283	454,779
Claims incurred but not reported	-	38,031	(38,031)	7,807
Stop loss insurance fees	110,450	109,355	1,095	107,567
Administrative charges	95,550	94,595	956	91,248
Professional services	3,000	1,120	1,880	1,521
Telephone	<u>300</u>	<u>291</u>	<u>9</u>	<u>275</u>
Total operating expenses	<u>791,650</u>	<u>816,459</u>	<u>(24,809)</u>	<u>663,197</u>
Operating income (loss)	(3,300)	(42,330)	(39,030)	24,508
Nonoperating revenues:				
Fund balance appropriated	-	-	-	-
Investment earnings	<u>3,300</u>	<u>16,008</u>	<u>12,708</u>	<u>13,308</u>
Net income (loss)	<u>\$ -</u>	<u>\$ (26,322)</u>	<u>\$ (26,322)</u>	<u>\$ 37,816</u>

**Health Insurance Fund**  
**Comparative Statements of Cash Flows**  
**For the Years Ended June 30, 2001 and 2000**

	<b>2001</b>	<b>2000</b>
<b>Cash Flows From Operating Activities:</b>		
Operating income (loss)	\$ (42,330)	\$ 24,508
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
Interest receivable	1,382	(2,443)
Accounts payable and insurance claims payable	<u>61,030</u>	<u>20,809</u>
Net cash provided by (used in) operating activities	<u>20,082</u>	<u>42,874</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	<u>16,008</u>	<u>13,308</u>
Net cash provided by (used in) investing activities	<u>16,008</u>	<u>13,308</u>
Net increase (decrease) in cash and cash equivalents	36,090	56,182
Cash and cash equivalents at beginning of year	<u>327,656</u>	<u>271,474</u>
Cash and cash equivalents at end of year	<u><u>\$ 363,746</u></u>	<u><u>\$ 327,656</u></u>

## **GENERAL FIXED ASSETS ACCOUNT GROUP**

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**The General Fixed Assets Account Group is used to account for the cost of fixed assets of the City that are used in the performance of general government functions and that are not accounted for in the Enterprise or Internal Service Funds of the City.**

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**General Fixed Assets Account Group**  
**General Fixed Assets - By Function and Asset Type**  
**June 30, 2001**

<b>Function</b>	<b>Land and Improvements</b>	<b>Buildings and Improvements</b>	<b>Vehicles and Heavy Equipment</b>	<b>All Other Equipment</b>	<b>Construction In Progress</b>	<b>Total</b>
General government	\$ 871,266	\$ 435,205	\$ 284,032	\$ 1,452,543	\$ -	\$ 3,043,046
Public safety	41,777	886,834	2,298,713	833,778	-	4,061,102
Transportation	787,114	497,145	528,823	370,114	17,716	2,200,912
Environmental protection	83,798	995	469,028	226,417	-	780,238
Cultural and recreational	<u>226,697</u>	<u>1,866,265</u>	<u>122,258</u>	<u>498,729</u>	<u>-</u>	<u>2,713,949</u>
Total general fixed assets	<u>\$ 2,010,652</u>	<u>\$ 3,686,444</u>	<u>\$ 3,702,854</u>	<u>\$ 3,381,581</u>	<u>\$ 17,716</u>	<u>\$ 12,799,247</u>



# **OTHER SCHEDULES**

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**This section contains additional information required  
on property taxes and transfers.**

- C    Schedule of Ad Valorem Taxes Receivable**
  - C    Analysis of Current Tax Levy**
  - C    Schedules of Transfers**
-

## CITY OF NEWTON, NORTH CAROLINA

Exhibit H-1

Schedule of Ad Valorem Taxes Receivable  
June 30, 2001

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2000</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2001</u>
2000-2001	\$ -	\$3,568,203	\$3,429,275	\$ 138,928
1999-2000	96,424	-	64,256	32,168
1998-1999	31,528	-	6,390	25,138
1997-1998	14,766	-	1,099	13,667
1996-1997	6,829	-	4,333	2,496
1995-1996	6,917	-	4,770	2,147
1994-1995	5,580	-	3,495	2,085
1993-1994	4,220	-	1,987	2,233
1992-1993	3,592	-	30	3,562
1991-1992	2,403	-	21	2,382
1990-1991	<u>2,203</u>	<u>-</u>	<u>2,203</u>	<u>-</u>
Total	<u>\$ 174,462</u>	<u>\$3,568,203</u>	<u>\$3,517,858</u>	224,807
Less allowance for uncollectibles				<u>20,701</u>
Balance				<u>\$ 204,106</u>

**Reconciliation with Revenue:**

Taxes - Ad valorem - General Fund (Exhibit B-3)	\$3,511,413
Taxes written off	16,741
Refunds	5,877
Interest collected	<u>(16,173)</u>
Total collections and credits	<u>\$3,517,858</u>



**CITY OF NEWTON, NORTH CAROLINA**

**Exhibit H-2**

**Analysis of Current Tax Levy  
June 30, 2001**

	<u>City Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy:					
Property taxed at current year's rate	\$666,522,932	.47	\$3,132,658	\$3,132,658	\$ -
Motor vehicles taxed at prior and current year's rate					
Prior year	-	-	-	-	-
Current year	75,873,753	.47	357,091	-	357,091
MSD	14,820,736	.15	22,231	22,231	-
Penalties	-		<u>3,525</u>	<u>3,525</u>	-
Total	<u>757,217,421</u>		<u>3,515,505</u>	<u>3,158,414</u>	<u>357,091</u>
Discoveries:					
Current year taxes	5,293,535		24,880	24,880	-
Prior year taxes	6,405,231		30,503	30,503	-
Penalties	-		<u>9,511</u>	<u>9,511</u>	-
Total	<u>11,698,766</u>		<u>64,894</u>	<u>64,894</u>	-
Abatements:					
Property					
Current year	(1,186,022)		(5,574)	(5,574)	-
Prior year	(146,998)		(693)	(693)	-
Motor vehicles					
Current year	(1,009,313)		(4,744)	-	(4,744)
Current year	(134,501)		(659)	-	(659)
MSD	-		-	-	-
Penalties	-		<u>(526)</u>	<u>(526)</u>	-
Total	<u>(2,476,834)</u>		<u>(12,196)</u>	<u>(6,793)</u>	<u>(5,403)</u>
Total property valuation	<u>\$766,439,353</u>				
Net levy			3,568,203	3,216,515	351,688
Less uncollected taxes at June 30, 2001			<u>(138,928)</u>	<u>(77,402)</u>	<u>(61,526)</u>
Current year's taxes collected			<u>\$3,429,275</u>	<u>\$3,139,113</u>	<u>\$ 290,162</u>
Current levy collection percentage			<u>96.11%</u>	<u>97.59%</u>	<u>82.51%</u>

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**CITY OF NEWTON, NORTH CAROLINA****Exhibit H-3****Schedule of Transfers  
June 30, 2001**

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Interfund operating transfers for the year ended June 30, 2001 are as follows:

	<b>Transfers From</b>	<b>Transfers To</b>
General Fund:		
Water and Wastewater Fund	\$602,400	\$ -
Powell Bill:		
West 1 <sup>st</sup> Street	1,108	-
US 321 Business Sidewalk	18,100	-
Water and Wastewater Fund:		
Prodelin Corporation Economic Development	43,000	-
Water and Wastewater Capital Projects	37,500	-
321 HWY/HWY 10	200,000	-
Startown Subdivision	-	89,506
General Fund	-	602,400
Electric Fund:		
Electric Peak Saving Generators	-	349,206
Electric Capital Projects	997,900	-
Capital Projects:		
Prodelin Corporation Economic Development	-	43,000
Water and Wastewater Capital Projects	-	37,500
Startown Subdivision	89,506	-
US 321 Business Sidewalk	-	18,100
321 HWY/HWY 10	-	200,000
Electric Peak Saving Generators	349,206	-
West 1 <sup>st</sup> Street	-	1,108
Electric Capital Projects	-	997,900
	<u>\$2,338,720</u>	<u>\$2,338,720</u>

## **STATISTICAL SECTION (Unaudited)**

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**Schedules presented in the Statistical Section differ from financial statements because they usually cover more than one fiscal year and may present non-accounting data. The Statistical Section reflects social and economic data, financial trends and the fiscal capacity of the City.**

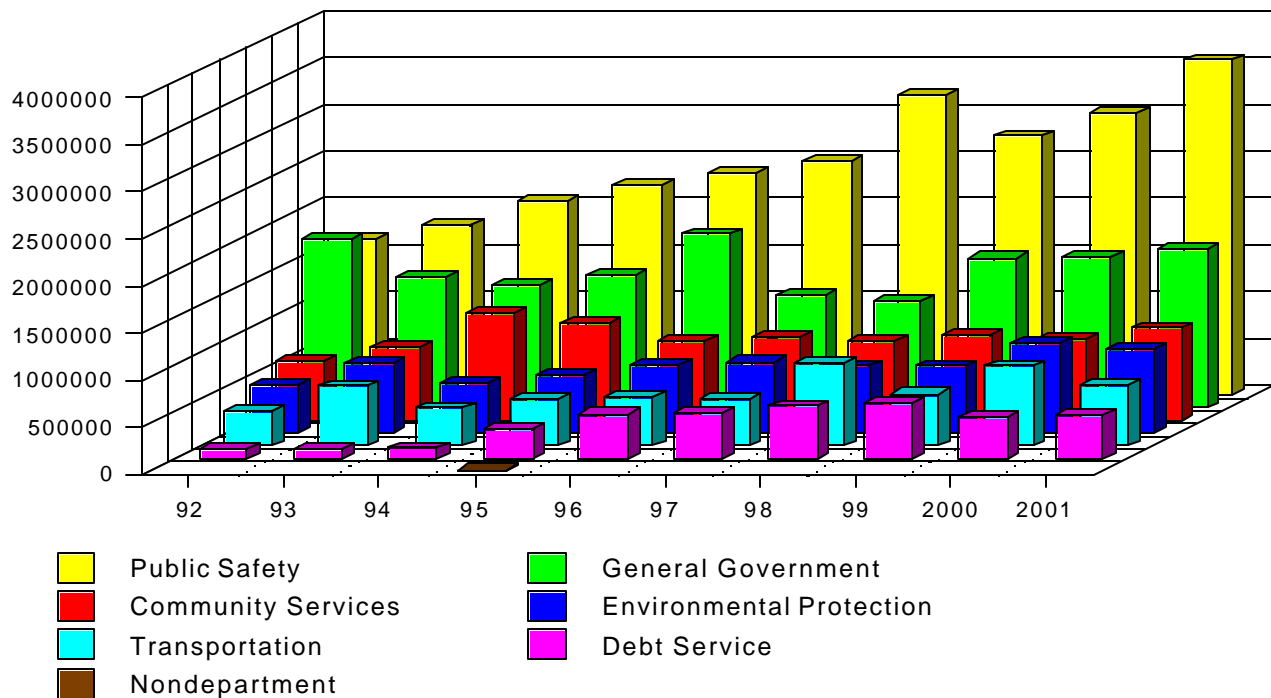
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**General Fund Expenditures by Function  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal				Community				
Year Ended	General	Public		Environmental	Services	Debt		
June 30,	Government	Safety	Transportation	Protection	(1)	Service	Nondepartmental	Total
2001	\$1,687,240	\$3,562,055	\$660,139	\$896,416	\$983,259	\$463,872	\$ -	\$8,252,981
2000	1,603,108	3,015,908	843,089	958,177	873,938	437,072	-	7,731,292
1999	1,589,290	2,761,281	547,504	712,162	900,120	596,046	-	7,106,401
1998	1,140,597	3,200,564	883,344	716,326	848,730	562,032	-	7,351,593
1997	1,196,002	2,493,602	499,743	760,064	889,596	482,120	-	6,321,127
1996	1,856,536	2,377,710	526,439	736,454	853,436	468,843	-	6,819,418
1995	1,420,199	2,233,285	496,101	612,030	1,043,444	302,528	6,550	6,114,137
1994	1,319,733	2,070,314	399,621	537,633	1,145,254	116,300	-	5,588,855
1993	1,384,296	1,822,376	631,729	745,651	793,283	100,716	-	5,478,051
1992	1,788,572	1,665,854	369,006	520,248	633,803	90,779	-	5,068,262

(1) Includes Cultural and Recreational and Economic and Physical Development functions.



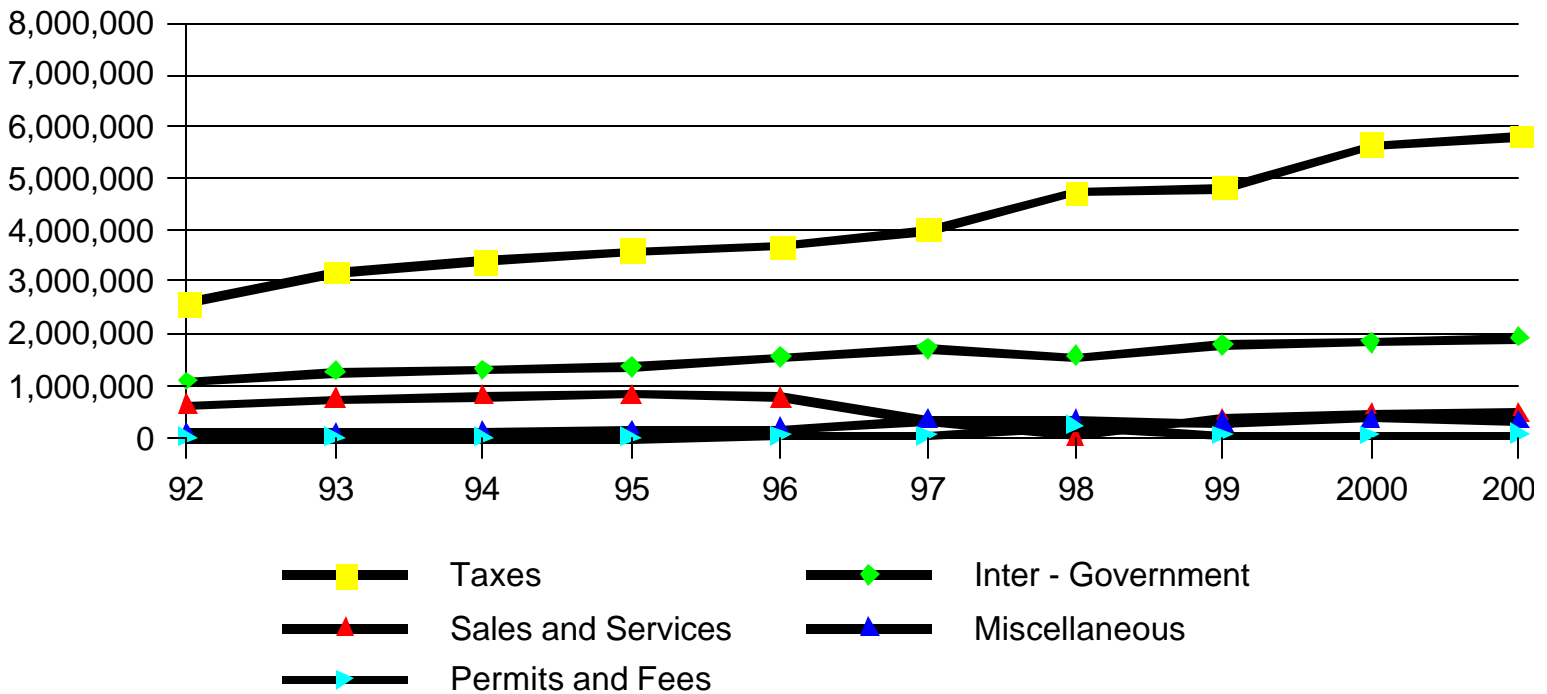
**CITY OF NEWTON, NORTH CAROLINA**

Table 2

**General Fund Revenues by Source  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes</b>	<b>Inter- Government</b>	<b>Permits and Fees</b>	<b>Sales and Services</b>	<b>Miscellaneous (1)</b>	<b>Total</b>
2001	\$5,822,108	\$1,950,598	\$80,322	\$498,049	\$351,379	\$8,702,457
2000	5,672,682	1,859,491	66,915	480,068	384,687	8,463,844
1999	4,857,020	1,795,960	63,170	396,372	322,868	7,435,390
1998	4,767,488	1,585,202	55,842	365,326	251,846	7,025,704
1997	4,030,576	1,734,834	50,064	361,001	374,268	6,550,743
1996	3,700,656	1,549,164	35,680	810,627	199,903	6,296,030
1995	3,632,223	1,374,920	18,663	854,670	181,632	6,062,108
1994	3,431,999	1,337,573	17,016	838,764	130,391	5,755,743
1993	3,204,669	1,306,471	15,271	772,359	118,403	5,417,173
1992	2,613,833	1,116,313	12,992	652,106	127,190	4,522,434

(1) Includes investment earnings and other revenues.



**CITY OF NEWTON, NORTH CAROLINA**

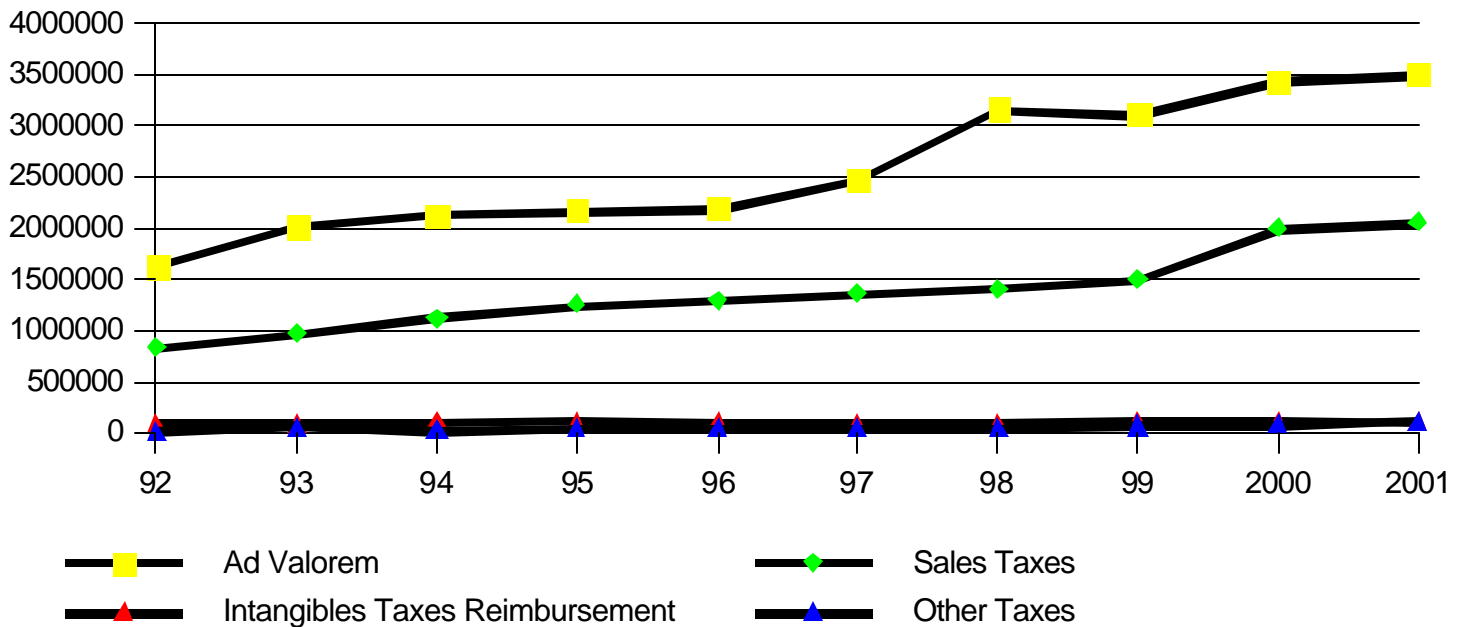
Table 3

**General Fund Tax Revenues by Source (1)  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year Ended June 30,</b>	<b>Ad Valorem Taxes (2)</b>	<b>Sales Taxes</b>	<b>Intangibles Taxes Reimbursement</b>	<b>Other Taxes</b>	<b>Total</b>
2001	\$3,511,413	\$2,064,249	\$116,582	\$129,864	\$5,822,108
2000	3,437,581	2,009,034	129,734	96,334	5,672,683
1999	3,129,682	1,507,818	131,920	87,600	4,857,020
1998	3,173,529	1,413,273	112,411	68,275	4,767,488
1997	2,482,035	1,375,839	108,917	63,785	4,030,576
1996	2,208,115	1,305,693	117,988	68,860	3,700,656
1995	2,176,104	1,263,005	130,304	62,810	3,632,223
1994	2,139,060	1,133,368	118,649	40,922	3,431,999
1993	2,033,005	983,517	111,939	76,208	3,204,669
1992	1,644,227	842,018	102,032	25,556	2,613,833

(1) General Fund only.

(2) Includes interest and penalties.

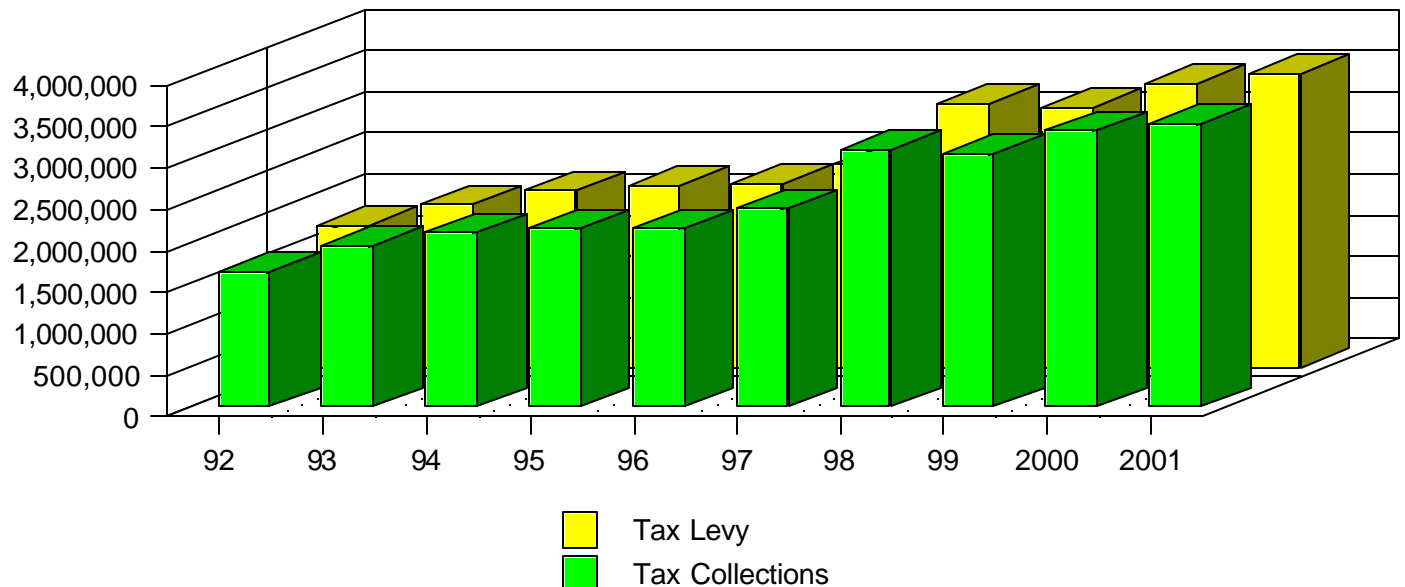


**CITY OF NEWTON, NORTH CAROLINA**

**Table 4**

**Property Tax Levies and Collections and Credits  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Tax Year	Current Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes as a Percent of Current Tax Levy
2000-2001	2000	\$3,568,203	\$3,429,275	96.11	\$88,583	\$3,517,858	98.59	2.24
1999-2000	1999	3,446,185	3,349,761	97.20	73,965	3,423,726	99.35	2.12
1998-1999	1998	3,157,409	3,060,831	96.94	67,792	3,128,623	99.08	2.15
1997-1998	1997	3,195,705	3,120,088	97.63	54,823	3,174,911	99.35	1.72
1996-1997	1996	2,469,862	2,406,346	97.43	71,220	2,477,566	100.31	2.88
1995-1996	1995	2,225,549	2,145,127	96.39	72,388	2,217,515	99.64	3.25
1994-1995	1994	2,206,818	2,146,248	97.26	28,362	2,174,610	98.54	12.85
1993-1994	1993	2,158,750	2,110,837	97.78	21,633	2,132,470	98.79	1.02
1992-1993	1992	1,971,460	1,949,509	98.89	81,025	2,030,534	102.99	4.11
1991-1992	1991	1,721,580	1,632,983	94.85	9,423	1,642,406	95.40	0.55

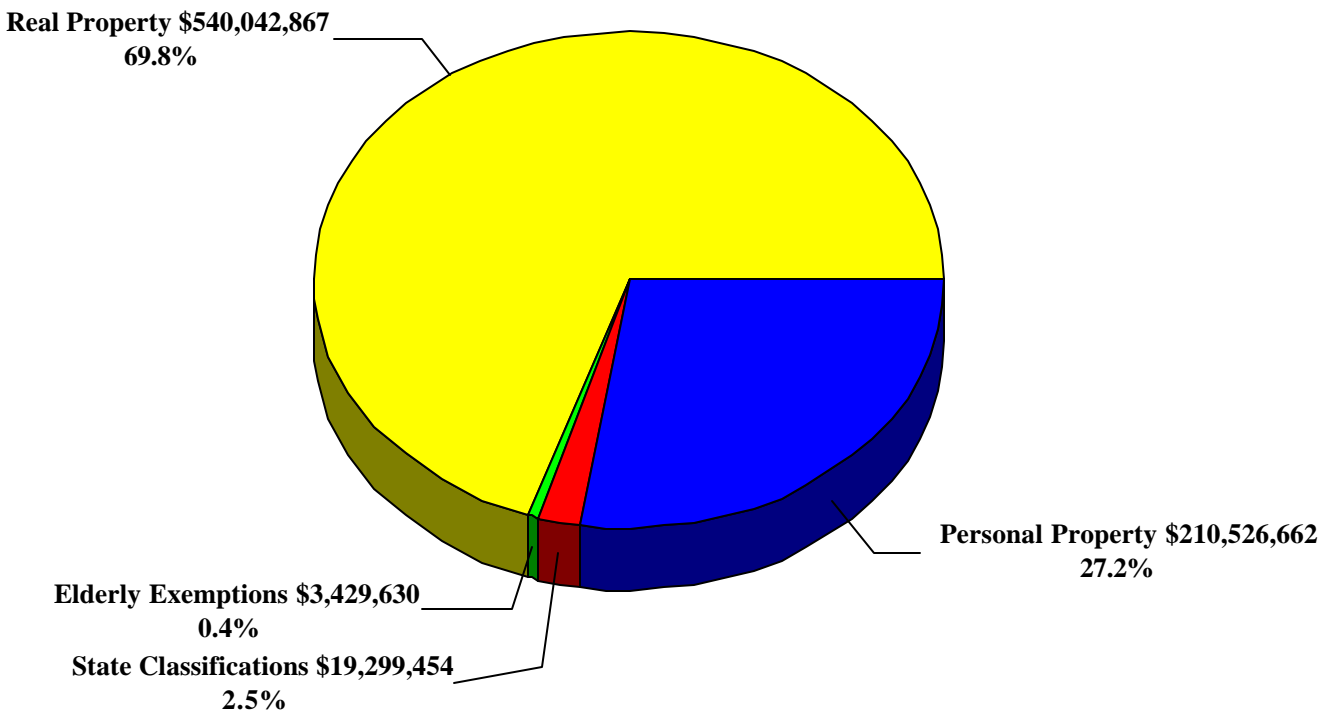


Source: City of Newton Finance Department



**Assessed Valuation of Property  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year Ended June 30,</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>State Classifications</b>	<b>Less Elderly Exemptions</b>	<b>Total</b>
2001	\$540,042,867	\$210,526,662	\$19,299,454	\$3,429,630	\$766,439,353
2000	524,605,828	197,332,486	19,375,934	3,210,204	738,104,045
1999	393,057,917	188,302,558	14,741,548	3,121,837	592,980,186
1998	385,954,156	203,396,570	15,423,427	3,274,368	601,499,785
1997	380,174,927	188,630,649	14,833,074	2,670,528	580,968,122
1996	371,173,825	181,059,203	13,905,354	2,890,158	563,248,224
1995	367,829,788	180,492,153	13,559,582	2,834,200	559,047,323
1994	353,124,247	178,901,525	13,597,405	2,602,888	543,020,289
1993	353,748,515	154,878,654	12,400,870	2,770,850	518,257,189
1992	352,015,475	149,368,955	12,996,645	3,028,565	511,352,510



Source: City of Newton Finance Department

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**CITY OF NEWTON, NORTH CAROLINA****Table 6****Property Tax Levies and Rates - Direct and Overlapping Governments  
Last Ten Fiscal Years  
(Unaudited)**

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	<u>City of Newton</u>		<u>Catawba County (1)</u>	
	<u>Tax Levies</u>	<u>Tax Rates (2)</u>	<u>Tax Levies</u>	<u>Tax Rates (2)</u>
2000-2001	\$3,568,203	\$.47	\$53,320,741	\$.495
1999-2000	3,446,185	.47	51,194,773	.495
1998-1999	3,157,409	.54	42,661,784	.55
1997-1998	3,195,705	.54	38,870,411	.55
1996-1997	2,469,862	.43	37,887,197	.52
1995-1996	2,225,549	.40	33,664,697	.52
1994-1995	2,206,818	.40	29,570,920	.47
1993-1994	2,158,750	.40	31,866,601	.47
1992-1993	1,971,460	.38	28,240,644	.44
1991-1992	1,721,580	.35	27,682,982	.44

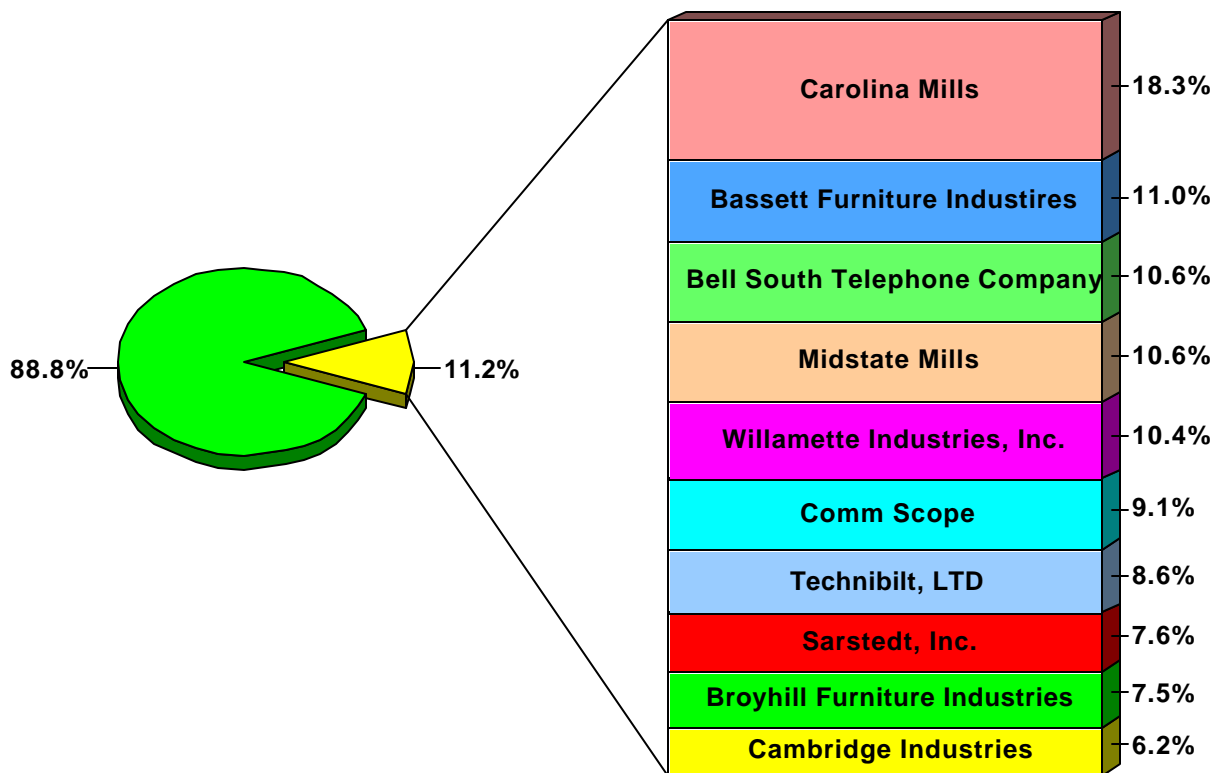
(1) Source: Catawba County

(2) Per \$100.00 of assessed valuation

**Principal Taxpayers  
For the Year Ended June 30, 2001  
(Unaudited)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of City Tax Levy</u>
Carolina Mills	Textiles	\$ 17,637,408	\$ 82,896	2.32%
Bassett Furniture Industries	Furniture Mfg	10,670,360	50,151	1.41%
Bell South Telephone Company	Utility	10,230,601	48,084	1.35%
Midstate Mills	Flour Mill	10,217,573	48,023	1.35%
Willamette Industries, Inc.	Paper Products	10,070,694	47,332	1.33%
Comm Scope, Inc.	Fiber	8,810,800	41,411	1.16%
Technibilt, Ltd.	Mfg of Shopping Carts	8,301,340	39,016	1.09%
Sarstedt, Inc.	Pharmaceutical Plastic	7,363,725	34,067	0.95%
Broyhill Furniture Industries	Furniture Mfg.	7,264,028	34,141	0.96%
Cambridge Industries dba Rockwell Industries Corporation	Furniture Mfg.	<u>6,034,029</u>	<u>28,360</u>	<u>0.79%</u>
Total assessed valuation of top ten taxpayers		<u>\$ 96,600,558</u>	<u>\$453,481</u>	<u>12.71%</u>

Source: City of Newton Finance Department



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**CITY OF NEWTON, NORTH CAROLINA****Table 8****Computation of Legal Debt Margin  
June 30, 2001  
(Unaudited)**

---

**Assessed Valuation:**

Total value	\$769,868,983
Less elderly exemptions	<u>3,429,630</u>
Total assessed value	<u><u>\$766,439,353</u></u>

**Legal Debt Margin:**

Debt limitation - 8 percent of total assessed value	\$61,315,148
Debt application to limitation:	
Bonded debt	\$4,980,000
Loans payable	506,217
Installment purchase payable	<u>8,151,100</u>
Total debt applicable to limitation	<u>13,637,317</u>
Legal debt margin	<u><u>\$ 47,677,831</u></u>

**CITY OF NEWTON, NORTH CAROLINA**

**Table 9**

**Ratio of Net General Obligation Bonded Debt to Assessed Value and  
Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal</b>				<b>Debt</b>	<b>Debt</b>		<b>Ratio of</b>	
<b>Year Ended</b>		<b>Assessed</b>	<b>Gross</b>	<b>Service</b>	<b>Payable</b>	<b>Net</b>	<b>Net Bonded</b>	<b>Net</b>
<b>June 30,</b>	<b>Population (1)</b>	<b>Value</b>	<b>Bonded</b>	<b>Monies</b>	<b>Enterprise</b>	<b>Bonded</b>	<b>Debt to</b>	<b>Bonded</b>
<u><b>June 30,</b></u>	<u><b>Population (1)</b></u>	<u><b>Value</b></u>	<u><b>Debt (2)</b></u>	<u><b>Available</b></u>	<u><b>Revenues</b></u>	<u><b>Debt</b></u>	<u><b>Value</b></u>	<u><b>Capita</b></u>
2001	12,560	\$766,439,353	\$4,980,000	\$ -	\$4,598,428	\$381,572	.05	30
2000	12,382	738,104,045	5,525,000	-	5,090,611	434,389	.06	35
1999	12,294	592,980,186	6,150,000	-	5,653,789	496,211	.08	40
1998	12,079	601,499,785	6,450,000	-	5,888,731	561,269	.09	46
1997	11,731	580,968,122	7,080,000	-	6,436,055	643,945	.11	55
1996	12,005	563,248,224	7,675,000	-	6,971,830	703,170	.12	59
1995	11,800	559,047,323	8,270,000	-	7,526,619	743,381	.13	63
1994	11,578	543,020,289	8,865,000	-	8,081,361	783,639	.14	68
1993	11,158	518,257,189	9,410,000	-	8,556,762	853,238	.16	76
1992	11,190	511,352,510	9,480,000	-	8,630,000	850,000	.17	76

(1) Source: North Carolina Office of State Planning

(2) Includes all general obligation debt.

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**CITY OF NEWTON, NORTH CAROLINA****Table 10**

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**Ratio of Annual Debt Service Expenditures for  
General Obligation Bonded  
Debt to Total General Governmental Expenditures  
Last Ten Fiscal Years  
(Unaudited)**

---

<b>Fiscal Year</b>					<b>Ratio Debt Service to Total General Governmental</b>
<b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service (1)</u></b>	<b><u>Total General Governmental Expenditures (2)</u></b>	<b><u>Expenditures</u></b>
2001	\$52,817	\$19,941	\$ 72,758	\$8,660,669	0.84%
2000	61,822	22,221	84,043	7,731,292	1.09%
1999	81,409	32,891	114,300	7,106,402	1.61%
1998	82,676	34,516	117,192	7,351,593	1.59
1997	59,225	37,718	96,943	6,321,127	1.53
1996	40,210	40,300	80,510	6,819,418	1.18
1995	40,258	42,270	82,528	6,114,137	1.35
1994	69,600	46,700	116,300	5,588,855	2.08
1993	50,000	50,716	100,716	5,426,153	1.86
1992	25,000	44,360	69,360	5,068,262	1.37

(1) General obligation bonds reported in the enterprise funds have been excluded.

(2) Includes General, Special Revenue, and Debt Service Funds.

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**CITY OF NEWTON, NORTH CAROLINA****Table 11****Computation of Direct and Overlapping Bonded Debt  
- General Obligation Bonds  
June 30, 2001  
(Unaudited)**

---

	<b>Net General Obligation Bonded Debt Outstanding</b>	<b>Percentage Applicable to City of Newton (3)</b>	<b>Amount Applicable to City of Newton</b>
Direct - City of Newton (1)	\$ 381,572	100.00%	\$ 381,572
Overlapping - Catawba County (2)	<u>76,450,000</u>	7.11%	<u>5,437,759</u>
Total	<u>\$76,831,572</u>		<u>\$5,819,331</u>

- (1) Excluding general obligation bonds reported in the enterprise funds.
- (2) Provided by Catawba County.
- (3) Determined by ratio of assessed valuation of property subject to taxation in Catawba County (\$10,775,447,800) and City of Newton (\$766,439,353).

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**CITY OF NEWTON, NORTH CAROLINA****Table 12****Demographic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

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<b><u>Fiscal Year Ended June 30,</u></b>	<b><u>Population Estimate (1)</u></b>	<b>Catawba County</b>	<b><u>Unemployment Rate (2)</u></b>
		<b><u>Per Capita Income (2)</u></b>	
2001	12,560	\$28,253	6.4%
2000	12,382	27,617	2.1%
1999	12,294	26,282	1.8%
1998	12,079	24,602	2.7%
1997	11,731	23,439	3.4%
1996	12,005	23,480	4.9%
1995	11,800	22,672	4.6%
1994	11,578	21,739	3.7%
1993	11,158	20,718	5.2%
1992	11,190	19,683	6.3%

Sources: (1) North Carolina of State Planning

(2) Employment Security Commission, Bureau of Labor Statistics, North Carolina Bureau of Economics.



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**CITY OF NEWTON, NORTH CAROLINA****Table 13****Property Value, Construction and Bank Deposits  
Last Ten Fiscal Years  
(Unaudited)**

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<b>Fiscal Year Ended <u>June 30,</u></b>	<b><u>Property Value (1)</u></b>	<b><u>Construction (2)</u></b>	<b><u>Bank Deposits (3)</u></b>	<b><u>Countywide Deposits (4)</u></b>
2001	\$766,439,353	\$14,129,179	\$18,612,279	\$ -
2000	738,104,045	16,914,714	18,036,026	1,818,514,000
1999	592,980,186	17,577,937	17,927,752	1,692,209,000
1998	601,499,785	12,579,888	17,367,165	1,641,549,000
1997	580,968,122	15,786,215	18,614,942	1,584,000,000
1996	563,248,224	12,181,279	21,660,101	1,509,745,000
1995	559,047,323	20,578,587	17,313,665	1,465,517,000
1994	543,020,289	7,472,683	12,886,079	1,275,842,000
1993	518,257,189	7,790,676	14,084,235	1,235,098,000
1992	511,352,510	7,164,607	15,254,051	993,203,000

Sources: (1) City tax records.

(2) City Planning Department.

(3) City of Newton deposits only.

(4) Countywide deposits per FDIC. Countywide deposits data not available for 2001.

**Miscellaneous Statistics**  
**June 30, 2001**  
**(Unaudited)**

Population	12,560
Date of incorporation	1855
Form of government	Council/Manager
Area	12.98 square miles
Miles of paved streets	70.67
Employees:	
Full-time	170
Part-time	4
Seasonal	17
Reserve	16
Fire protection:	
Number of stations	3
Number of firemen and officers	16
Number of Volunteer firemen	37
Police protection:	
Number of stations	2
Number of policemen and officers	35
Electric department:	
Number of consumers	4,401
Average daily usage	291,532 kwh
Miles of distribution lines	105
Water department:	
Number of consumers	5,525
Average daily consumption	3.5 MGD
Miles of water mains	115
Sewers:	
Number of consumers	4,302
Average daily inflow	3.4 MGD
Miles of sewer lines	105
Culture and recreation:	
Number of recreation centers	2
Number of parks	5
Park acreage	63.5
Number of swimming pools	1
Number of tennis courts	8
Number of cemeteries	2

## **COMPLIANCE SECTION**

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**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
Government Auditing Standards**

**Report on Compliance with Requirements Applicable  
to each Major State Program and Internal Control  
Over Compliance in Accordance with Applicable Sections  
of OMB Circular A-133 and the State Single Audit  
Implementation Act.**

**Schedule of Findings and Questioned Costs**

**Corrective Action Plan**

**Summary Schedule of Prior Year Audit Findings**

**Schedule of Expenditures of Federal and State Awards**

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**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the Board of Aldermen  
City of Newton, North Carolina

We have audited the general purpose financial statements of the City of Newton, North Carolina, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 10, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Newton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 2001-1.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Newton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Newton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of Aldermen, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

September 10, 2001

# **Lowdermilk Church & Co., L.L.P.**

## ***Certified Public Accountants***

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

### **Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act**

To the Honorable Mayor and  
Members of the Board of Aldermen  
City of Newton, North Carolina

#### **Compliance**

We have audited the compliance of the City of Newton, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2001. The City of Newton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Newton's management. Our responsibility is to express an opinion on the City of Newton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Newton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Newton's compliance with those requirements.

In our opinion, the City of Newton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

#### **Internal Control Over Compliance**

The management of the City of Newton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Newton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organizations, members of Board of Aldermen, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2001



**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Report on Compliance with Requirements Applicable to each Major State Program  
and Internal Control Over Compliance in Accordance with Applicable Sections of OMB  
Circular A-133 and the State Single Audit Implementation Act**

To the Honorable Mayor and  
Members of the Board of Aldermen  
City of Newton, North Carolina

Compliance

We have audited the compliance of the City of Newton, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2001. The City of Newton's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Newton's management. Our responsibility is to express an opinion on the City of Newton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Government Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Newton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Newton's compliance with those requirements.

In our opinion, the City of Newton complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2001.

### Internal Control Over Compliance

The management of the City of Newton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Newton's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State Program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of Aldermen, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

September 10, 2001

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2001**

**Section I. Summary of Auditors' Results**Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- C Material weakness(es) identified? \_\_\_\_\_yes        X  no
- C Reportable condition(s) identified that are  
not considered to be material weaknesses        X  yes      \_\_\_\_\_none reported
- Noncompliance material to financial  
statements noted      \_\_\_\_\_yes        X  no

Federal Awards

Internal control over major federal programs:

- C Material weakness(es) identified: \_\_\_\_\_yes        X  no
- C Reportable condition(s) identified that are  
not considered to be material weaknesses      \_\_\_\_\_yes        X  none reported

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with Section 510(a)  
of Circular A-133

\_\_\_\_\_yes        X  no

Identification of major federal programs:

CFDA Numbers

14.228

Name of Federal Program or Cluster

Community Development Block  
Grant State's Program

Dollar threshold used to distinguish  
between Type A and Type B Programs

\$300,000

Auditee qualified as low risk auditee?

\_\_\_\_\_yes        X  no

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2001**

State Awards

Internal control over major State programs:

C Material weakness(es) identified: \_\_\_\_\_yes        X  no

C Reportable condition(s) identified that are  
not considered to be material weaknesses      \_\_\_\_\_yes        X  none reported

Noncompliance material to State awards      \_\_\_\_\_yes        X  no

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with the State  
Single Audit Implementation Act

\_\_\_\_\_yes        X  no

Identification of major State programs:

Program Name

Powell Bill

**Section II. Financial Statement Findings**

## REPORTABLE CONDITION

**Finding: 2001-1**

Criteria:	G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.
Condition:	City of Newton expended \$5,844 more for water and wastewater maintenance and \$19,555 more for water and wastewater debt service than appropriated in the annual budget ordinance.
Effect:	Moneys were spent that had not been appropriated.
Cause:	The City expended Funds that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.
Recommendation:	Budget amendments should be adopted when revenues are received that exceed estimated revenues in the budget ordinance prior to expending the funds.
Management Response:	The City agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2001**

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**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.

**Corrective Action Plan  
For the Year Ended June 30, 2001**

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**Section II. Financial Statement Findings**

**Finding: 2001-1**

Name of Contact Person: James A. Baker, Director of Finance

Corrective Action: The budget-to actual report will be reviewed on a periodic basis and amendments will be made as necessary.

Proposed Completion Date: The City will implement the above procedure immediately.

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**Section IV. State Award Findings and Questioned Costs**

None reported.

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2001**

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**Finding: 98-2**

Status: Expenditures exceeded the budget in the current year. When the City intends to expend funds in excess of amounts budgeted, it will properly amend the budget.

**Finding: 99-1**

Status: Corrected.

**Finding: 99-2**

Status: Expenditures exceeded the budget in the current year. When the City intends to expend funds in excess of amounts budgeted, it will properly amend the budget.

**Finding: 99-3**

Status: Corrected.

**Finding: 99-4**

Status: Corrected.

**Finding: 2000-1**

Status: Expenditures exceeded the budget in the current year. When the City intends to expend funds in excess of amounts budgeted, it will properly amend the budget.

**Finding: 2000-2**

Status: Corrected.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2001**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b><u>Federal Grants:</u></b>					
<b>Cash Programs</b>					
<u>U.S. Department of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant-State's Program	14.228	XXXX	\$364,543	\$ -	\$43,000
<u>U.S. Department of Justice</u>					
Office of Community Oriented Policing Services:					
Public Safety Partnerships and Community Policing Grant	16.710		19,649	-	-
Local Law Enforcement Block Grant	16.592		10,930	-	-
Passed-through N.C. Department of Crime Control and Public Safety:					
Edward Byrne Fund	16.579		<u>18,134</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>413,256</u>	<u>-</u>	<u>43,000</u>
<b><u>State Grants:</u></b>					
<b>Cash Assistance</b>					
<u>N.C. Department of Transportation</u>					
Powell Bill		XXXX	<u>-</u>	<u>418,652</u>	<u>-</u>
Total assistance - State programs			<u>-</u>	<u>418,652</u>	<u>-</u>
Total assistance			<u>\$413,256</u>	<u>\$418,652</u>	<u>\$43,000</u>

Note to the Schedule of Expenditures of Federal and State Financial Awards:

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Newton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.